

Item 17.4 H

ISSUE:

Adopt Resolution No. 14-2013/2014: Resolution of the Board of Education of El Rancho Unified School District authorizing the issuance and sale of General Obligation Refunding Bonds, Series 2013 of the District in an aggregate principal amount not to exceed \$6,300,000 and approving certain other matters relating to the bonds.

ANALYSIS:

On November 4, 2003, voters in the El Rancho Unified School District authorized the issuance of \$49,500,000 of general obligation bonds to finance school improvements. These bonds were fully issued in six series (2003, 2004, 2005, 2007, 2008, and 2010). Refunding bonds will generate considerable savings for the District, taking advantage of currently historically low interest rates. There are substantial savings to be realized by a refinancing; this refinancing will reduce property taxes and will not increase the term of the Bonds.

This resolution will authorize the financing team to proceed with the refinancing, and approves the form of documents to be used in issuing the bonds as follows:

1. The Contract of Purchase
2. The Escrow Agreement;
3. The Preliminary Official Statement

RECOMMENDATION:

Adopt Resolution No. 14-2013/2014: Resolution of the Board of Education of El Rancho Unified School District authorizing the issuance and sale of General Obligation Refunding Bonds, Series 2012 of the District in an aggregate principal amount not to exceed \$6,300,000 and approving certain other matters relating to the bonds.

Submitted by: Leticia Covarrubias, Chief Business Officer

October 10, 2013

Resolution No. 14-2013/2014

**RESOLUTION OF THE BOARD OF EDUCATION
OF EL RANCHO UNIFIED SCHOOL DISTRICT
AUTHORIZING THE ISSUANCE AND SALE OF
EL RANCHO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,300,000 AND
APPROVING CERTAIN OTHER MATTERS RELATING TO SAID BONDS**

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions.....	2
Section 2. Rules of Construction	7
Section 3. Authority for this Resolution	7
Section 4. Resolution to Constitute Contract.....	8
Section 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds	8
Section 6. Authorization of Officers	10
Section 7. Use of Bond Proceeds.....	10
Section 8. Designation and Form; Payment.....	10
Section 9. Description of the Bonds	10
Section 10. Tax Covenants	11
Section 11. Book-Entry System.....	11
Section 12. Execution of the Bonds.....	13
Section 13. Transfer and Exchange	13
Section 14. Bonds Mutilated, Destroyed, Stolen or Lost.....	14
Section 15. Bond Register.....	14
Section 16. Unclaimed Money.....	14
Section 17. Application of Proceeds; Escrow Agreement; Debt Service Fund.....	15
Section 18. Payment of and Security for the Bonds	16
Section 19. Establishment and Application of Excess Earnings Fund	16
Section 20. Payment of Costs of Issuance	16
Section 21. Negotiated Sale/Method of Sale	16
Section 22. Engagement of Consultants; Parameters of Sale	17
Section 23. Establishment of Additional Funds and Accounts.....	17
Section 24. Request for Necessary County Actions	17
Section 25. Notice of Redemption of Refunded Bonds.....	18
Section 26. Redemption.....	18
Section 27. Selection of Bonds for Redemption.....	18
Section 28. Notice of Redemption.....	18
Section 29. Partial Redemption of Bonds.....	19

TABLE OF CONTENTS
(continued)

		<u>Page</u>
Section 30.	Effect of Notice of Redemption	19
Section 31.	Paying Agent; Appointment and Acceptance of Duties	19
Section 32.	Liability of Paying Agent.....	20
Section 33.	Evidence on Which Paying Agent May Act.....	20
Section 34.	Compensation	20
Section 35.	Ownership of Bonds Permitted.....	20
Section 36.	Resignation or Removal of Paying Agent and Appointment of Successor	20
Section 37.	Investment of Certain Funds.....	21
Section 38.	Valuation and Sale of Investments	21
Section 39.	Supplemental Resolutions with Consent of Owners.....	21
Section 40.	Supplemental Resolutions Effective Without Consent of Owners.....	22
Section 41.	Effect of Supplemental Resolution	22
Section 42.	Defeasance	22
Section 43.	Approval of Actions; Miscellaneous	23
Section 44.	Conflicts.....	23
Section 45.	Effective Date	24
EXHIBIT A	FORM OF BOND.....	A-1
EXHIBIT B	FORM OF 15c2-12 CERTIFICATE	B-1

**RESOLUTION OF THE BOARD OF EDUCATION
OF EL RANCHO UNIFIED SCHOOL DISTRICT
AUTHORIZING THE ISSUANCE AND SALE OF
EL RANCHO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013
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APPROVING CERTAIN OTHER MATTERS RELATING TO SAID BONDS**

WHEREAS, a duly called election was held in the El Rancho Unified School District, a unified school district duly organized and existing under the laws of the State of California (the “**District**”), County of Los Angeles (the “**County**”), State of California, on November 4, 2003 (the “**2003 Election**”), and thereafter canvassed pursuant to law; and

WHEREAS, at the 2003 Election, there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District voting on the proposition 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 amount of \$49,500,000, payable from the levy of an *ad valorem* tax against the taxable property in the District; and

WHEREAS, as authorized at the 2003 Election, the Board of Education of the District (the “**Governing Board**”) has previously approved the issuance, among other series, of \$7,407,516 aggregate principal amount of the District’s General Obligation Bonds, Election of 2003, Series 2004 (the “**Prior Bonds**”); and

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Sections 53550 and 53580, respectively), the District is authorized to issue, or cause to be issued, general obligation bonds to refund all or a portion of the Prior Bonds (hereafter, the “**Refunded Bonds**”); and

WHEREAS, the Governing Board has now determined that conditions in the financial markets have become favorable for the refunding the Refunded Bonds by issuing its El Rancho Unified School District General Obligation Refunding Bonds, Series 2013 (the “**Bonds**”), resulting in substantial savings to the taxpayers of the District; and

WHEREAS, pursuant to Section 53558(a) of the Government Code, the District is authorized to deposit certain proceeds of the sale of the Bonds in escrow in an amount sufficient to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds as they become due or at designated dates prior to maturity, and to use certain proceeds of the Bonds to pay the costs of issuance of the Bonds, including to purchase a policy of municipal bond insurance if such insurance would reduce the net cost of borrowing; and

WHEREAS, this Governing Board has determined that because of the need for flexibility in order to achieve maximum interest cost savings, it is desirable to sell the Bonds pursuant to a negotiated underwriting, to George K. Baum & Company, as underwriter (the

“Underwriter”) pursuant to a Contract of Purchase (as defined herein), a form of which has been submitted to this meeting of the Governing Board and is on file with the Clerk thereof (the “Clerk”); and

WHEREAS, a form of escrow agreement (the “**Escrow Agreement**”), by and between the District and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”), directing the establishment of an escrow fund for deposit of certain proceeds of sale of the Bonds for the purpose of paying and redeeming the Refunded Bonds has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, a form of the preliminary official statement (the “**Preliminary Official Statement**”) relating to the Bonds has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, a form of continuing disclosure undertaking (the “**Continuing Disclosure Undertaking**”), attached as Appendix C to the Preliminary Official Statement, has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, this Governing Board desires that the Treasurer and Tax Collector of the County of Los Angeles (the “**Treasurer**”) should levy and collect an *ad valorem* property tax on all taxable property within the District sufficient to provide for payment of the Bonds, and intends by the adoption of this Resolution to notify the Board of Supervisors of the County, the Auditor-Controller of the County, the Treasurer and other officials of the County that they should take such actions as shall be necessary to provide for the levy and collection of such tax and payment of the Bonds; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including this proposed issue of Bonds, is within all limits prescribed by law;

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Education of the El Rancho Unified School District as follows:

SECTION 1. Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the Recitals hereto. Additionally, the following terms shall for all purposes of this Resolution have the following meanings:

“Accreted Value” when used with respect to those of the Refunded Bonds which constitute Capital Appreciation Bonds, shall mean the accreted value of such Refunded Bond on the scheduled redemption date therefor, calculated in accordance with such Accreted Values Table.

“Accreted Values Table” shall mean the table of that name included in the final official statement for and applicable to the 2004 Bonds that constitute Capital Appreciation Bonds.

“Auditor-Controller” shall mean the Auditor-Controller of the County.

Item 17.4 H

“Authorized Investments” shall mean, if and to the extent permitted by law and by the investment policy adopted annually by the District or the County:

- (i) Investments in the pool established by the County, in which other funds of the District are invested;
- (ii) Federal Securities;
- (iii) bonds, notes or other evidences of indebtedness rated “AAA” by S&P or “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P or “P-1” by Moody’s and maturing no more than 270 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (v) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P or “P-1” by Moody’s, and which matures not more than 180 days after the date of purchase;
- (vi) investments in a money market fund rated at the time of purchase in the single highest rating category by S&P or Moody’s;
- (vii) pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of S&P or Moody’s or any successors thereto; or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (2) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; and

- (viii) other forms of investments which are legal investments pursuant to Section 53601 of the Government Code, as it may be amended from time to time.

“Authorizing Law” shall mean Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Sections 53550 and 53580, respectively) of the Government Code.

“Board of Supervisors” shall mean the Board of Supervisors of the County.

“Bond Counsel” shall mean Nixon Peabody LLP or any other firm that is a nationally recognized bond counsel firm.

“Bond Insurance Policy” shall mean any insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of Principal and interest in respect of the Bonds when due.

“Bond Insurer” shall mean any insurer chosen to insure repayment of the Bonds.

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

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

“Capital Appreciation Bonds” shall mean those 2004 Bonds which, by their terms, do not pay interest on a current basis, but accrete interest at the rates specified in the applicable Accreted Values Table.

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

“Contract of Purchase” shall mean the Contract of Purchase by and between the District and the Underwriter relating to the Bonds.

“Costs of Issuance” shall mean all of the authorized costs of issuing the Bonds as described in the Authorizing Law, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Preliminary Official Statement and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; financial advisory fees; underwriter’s fees; rating agency fees; auditor’s fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing, including the fees and expenses of Bond Counsel; the initial fees and expenses of the Paying Agent, the Escrow Agent and the Verification Agent; fees for credit enhancement (if any) relating to the Bonds; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“County” shall mean the County of Los Angeles, California.

Item 17.4 H

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

“Debt Service” shall have the meaning given to that term in Section 17 of this Resolution.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 17 of this Resolution.

“Defeasance Securities” shall mean lawful money or noncallable direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(c) of the Code and Regulations which, in the opinion of Bond Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

“Depository” shall mean DTC and its successors and assigns or if (a) the then-acting Depository resigns from its functions as securities depository for the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds.

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

“Escrow Fund” shall mean the fund by that name established under the Escrow Agreement, into which the net proceeds of sale of the Bonds shall be deposited in order to effect the advance refunding of the Refunded Bonds.

“Excess Earnings Fund” shall mean the Excess Earnings Fund established pursuant to Section 19 of this Resolution.

“Federal Securities” shall mean direct obligations of the United States Treasury or obligations which are unconditionally guaranteed by the United States or which are issued or guaranteed by the Export-Import Bank of the United States, the Farmers Home Administration, the General Services Administration, the Small Business Administration, the Government National Mortgage Association, the United States Department of Housing and Urban Affairs and the Federal Housing Administration (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States), provided the principal of and interest on such obligations are backed by the full faith and credit of the United States of America.

“Financial Advisor” shall mean Caldwell Flores Winters, Inc., acting as financial advisor to the District in connection with the issuance and sale of the Bonds.

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

“Interest Payment Date” shall mean February 1 and August 1 in each year, commencing February 1, 2014 or as otherwise specified in the Contract of Purchase.

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

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive the reports described in the Continuing Disclosure Undertaking. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Nonarbitrage Certificate” shall mean the Tax and Nonarbitrage Certificate of the District delivered in connection with the issuance of the Bonds.

“Official Statement” shall mean the final official statement of the District describing the Bonds.

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

- (i) Bonds canceled at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 14 hereof;
- (iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 41 of this Resolution.

“Owner” shall mean the registered owner, as indicated in the Bond Register, of any Bond.

“Participant” shall mean a member of or participant in the Depository.

“Paying Agent” shall mean the paying agent designated pursuant to Section 31 hereof.

“Pledged Moneys” shall have the meaning given to that term in Section 18 of this Resolution.

Item 17.4 H

“Record Date” shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date.

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

“S&P” shall mean Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Securities Depositories” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Facsimile transmission: (212) 785-9681, (212) 855-3215, and, in accordance with then-current guideline of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Certificate delivered to the Paying Agent.

“State” shall mean the State of California.

“Superintendent” shall mean the Superintendent of the District.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Section 38 or Section 39 hereof.

“Transfer Amount” shall mean, with respect to any Outstanding Bond, the aggregate principal amount thereof.

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

“Underwriter” shall mean George K. Baum & Company, as underwriter of the Bonds.

“Verification Agent” shall mean Causey Demgen & Moore, P.C., certified public accountants, in their capacity as verification agent for the sufficiency of amounts on deposit in the Escrow Fund for the payment and redemption of the Refunded Bonds.

SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

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

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

SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds.

(a) The Superintendent, Chief Business Official, and any other officers of the District designated by the Governing Board (each, an “**Authorized Officer**”), in consultation with the Financial Advisor and Bond Counsel and the other officers of the District are, and each of them acting alone is, hereby authorized and directed to issue and deliver the Bonds and to establish the initial aggregate principal amount thereof; provided, however, that such initial aggregate principal amount shall not exceed the maximum aggregate principal amount of \$6,300,000.

(b) The form of the Contract of Purchase is hereby approved. The Authorized Officers are, and each of them acting alone is, authorized and directed to execute and deliver the Contract of Purchase to the Underwriter for and in the name and on behalf of the District, with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District including, without limitation (i) such changes as may be necessary to obtain credit enhancement, including bond insurance or liquidity support, with respect to the Bonds, (ii) such changes as are necessary to reflect the final terms of the Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be conclusively evidenced by such Authorized Officer’s execution thereof and (iii) any other documents required to be executed thereunder. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to determine the specific maturities and amounts of the 2004 Bonds or portions thereof to be refunded based upon market conditions existing at the time of the pricing of the Bonds. In addition, the Authorized Officers are, and each of them acting alone is, hereby authorized to negotiate with the Underwriter terms, maturities, interest rates, and series of the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an underwriter’s discount of not more than 0.9% (not including original issue discount and any costs of issuance paid by the Underwriter) of the principal amount thereof. The interest rate on the Bonds shall not exceed the legal maximum under State law.

(c) The form of the Escrow Agreement is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver the Escrow Agreement in substantially the form on file with the District and considered at this meeting, with such changes therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement by such

Item 17.4 H

Authorized Officer. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to make changes to the Escrow Agreement to achieve the purposes for which the Bonds are being executed and delivered.

(d) The form of the Continuing Disclosure Undertaking is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Continuing Disclosure Undertaking on behalf of the District, with such changes therein as the officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Undertaking shall not be considered an event of default and shall not be deemed to create any monetary liability on the part of the District to any other persons, including Owners of the Bonds.

(e) The form of the Preliminary Official Statement is hereby approved. This Governing Board also hereby authorizes the use and distribution of: (a) the Preliminary Official Statement with such changes as the Authorized Officer executing the certificate described below may approve, such approval to be conclusively evidenced by such Authorized Officer's execution of such certificate; and (b) an Official Statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or desirable in connection with the sale of the Bonds as determined by the Authorized Officer executing the Official Statement, such determination to be conclusively evidenced by the execution and delivery of the Official Statement by such Authorized Officer; and (c) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem necessary or desirable, such determination to be conclusively evidenced by the execution of such amendment or supplement or of a certificate as described below by such Authorized Officer. The Authorized Officers are, and each of them acting alone hereby is, authorized to approve such additions, deletions or changes to the Preliminary Official Statement and Official Statement, as are necessary or desirable to effect the purposes of this Resolution and to comply with applicable laws and to deliver copies of the Preliminary Official Statement and the Official Statement. The Authorized Officers also are, and each of them acting alone hereby is, authorized to determine whether any Preliminary Official Statement and/or Official Statement shall be used in connection with the sale of the Bonds. Upon approval of the Preliminary Official Statement by such Authorized Officer as evidenced by execution of a certificate substantially in the form of Exhibit B attached hereto and by this reference incorporated herein, with such changes as may be necessary or desirable, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

(f) This Governing Board also hereby authorizes the preparation of a paying agent agreement in connection with the Bonds, in such form as shall be determined by an Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the paying agent agreement by such Authorized Officer; or, the District may engage

Item 17.4 H

the Treasurer in such role and use for such purposes the master paying agent agreement of U.S. Bank National Association, as agent of the Treasurer, on file with the County.

SECTION 6. Authorization of Officers. The officers of the District, including but not limited to the Superintendent, Chief Business Official, and their authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purposes.

SECTION 7. Use of Bond Proceeds. The proceeds of the Bonds, together with other available funds, shall be applied to pay the principal or Accreted Value of and interest and redemption premium, if any, on the Refunded Bonds as they become due or at their redemption dates and to pay Costs of Issuance.

SECTION 8. Designation and Form; Payment.

(a) A series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate principal amount not to exceed \$6,300,000. Such Bonds shall be general obligations of the District, payable as to principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the taxable property in the District. The Bonds shall be designated the "El Rancho Unified School District General Obligation Refunding Bonds, Series 2013." The Bonds shall be issued as current interest bonds and may be issued as serial bonds or term bonds, as set forth in the Contract of Purchase, subject to the provisions of this Resolution.

(b) The form of the Bonds shall be substantially in conformity with the standard form of registered school district bonds, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference, with such changes as are necessary to reflect the final terms of the Bonds.

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

SECTION 9. Description of the Bonds.

(a) The Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, except as provided in the Contract of Purchase. The Bonds shall be dated and shall mature on the dates, in the years and in the principal amounts, and interest shall be computed at the rates, set forth in the Contract of Purchase.

(b) Interest on each Bond shall accrue from its dated date as set forth in the Contract of Purchase. Interest on Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with respect to each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless

(i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 principal amount or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

SECTION 10. Tax Covenants. In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, this Governing Board hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. In furtherance of these covenants, the District agrees to comply with the covenants contained in the Nonarbitrage Certificate. The District hereby agrees to deliver instructions to the Paying Agent as may be necessary in order to comply with the Nonarbitrage Certificate.

SECTION 11. Book-Entry System.

(a) The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such global Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds 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 Bond shall bear a legend describing restrictions on transfer, as may be prescribed by the Depository.

With respect to Bonds registered in the Bond Register 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 Bonds. 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 Bonds, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice (as defined in Section 28 below), (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds 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

Item 17.4 H

Bonds. The District and the Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond 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) In order to qualify the Bonds for the Depository's book-entry system, the District is hereby authorized to execute and deliver to such Depository a letter from the District representing such matters as shall be necessary to so qualify the Bonds (the "**Representation Letter**"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (a) hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the District, and its deputies and designees, are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the Depository's book-entry program.

(c) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds 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 receive notice or become aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the District shall cause the issuance of bonds representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be lodged with a Depository and that the provisions of subsection (a) hereof shall no longer apply to the Bonds. In any such event the District shall cause the execution and delivery of certificated securities representing the Bonds as provided below. Bonds issued in exchange for global bonds 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 cause delivery of such certificated securities representing the Bonds to the persons in whose names such Bonds 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 global bond for each of the maturities of Bonds, 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.

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

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

SECTION 12. Execution of the Bonds.

(a) The Bonds shall be executed in the manner required by the Authorizing Law. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been issued by the District, such Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed such Bonds had not ceased to hold such offices.

(b) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

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

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

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount of other authorized denominations. All Bonds surrendered in any

Item 17.4 H

such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

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

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

SECTION 15. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and registration of transfer of the Bonds. Upon presentation for registration of transfer, the Paying Agent shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books. While the Bonds are held in the book-entry system, the Paying Agent is not required to keep the Bond Register.

SECTION 16. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or

redemption with respect to such Bonds shall have become due and payable shall be transferred to the General Fund of the District; provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the General Fund of the District. Thereafter, the Owners of such Bonds shall look only to the General Fund of the District for payment of such Bonds.

SECTION 17. Application of Proceeds; Escrow Agreement; Debt Service Fund.

(a) A portion of the net proceeds of sale of the Bonds shall be transferred to the Escrow Agent for deposit into the Escrow Fund in an amount necessary to purchase the Defeasance Securities needed to defease, pay and redeem the Refunded Bonds.

(b) Accrued interest, if any, shall be kept separate and apart in the fund hereby created and established and to be designated as the "El Rancho Unified School District General Obligation Refunding Bonds, Series 2013 Debt Service Fund" (the "**Debt Service Fund**") and used only for payments of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds. The Treasurer is directed to create any accounts and subaccounts in the Debt Service Fund as provided in any Nonarbitrage Certificate.

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

(d) On the Business Day immediately preceding each Interest Payment Date if the Paying Agent is not the Treasurer, and on the Interest Payment Date if the Paying Agent is the Treasurer, the District shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the principal of, premium, if any, and interest on the Bonds coming due (collectively, "**Debt Service**") on such payment date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.

(e) The District shall cause moneys to be transferred to the extent needed to comply with the Nonarbitrage Certificate. Any amounts on deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the general fund of the District subject to any conditions set forth in the Nonarbitrage Certificate.

(f) Certain proceeds of the Bonds shall be applied to pay Costs of Issuance as provided in Section 20 below

(a) Except as required to satisfy the requirements of Section 148(f) of the Code or to comply with the provisions of any Nonarbitrage Certificate, interest earned on the

Item 17.4 H

investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Bonds when due.

SECTION 18. Payment of and Security for the Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes a continuing direct *ad valorem* tax annually during the period the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due, which monies when collected will be placed in the Debt Service Fund of the District, which fund is irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due (the "**Pledged Moneys**"). The tax levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The District covenants to cause the County to take all actions necessary to levy such *ad valorem* tax in accordance with this Section and Section 53559 of the Government Code.

Except as required below to satisfy the requirements of Section 148(f) of the Code, interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Bonds when due.

SECTION 19. Establishment and Application of Excess Earnings Fund. There is hereby established in trust a special fund designated "El Rancho Unified School District General Obligation Refunding Bonds, Series 2013 Excess Earnings Fund" (the "**Excess Earnings Fund**") which shall be held by the County Office of Education for the account of the District and which shall be kept separate and apart from all other funds and accounts held hereunder. The District shall transfer, or cause to be transferred, moneys to the Excess Earnings Fund in accordance with the provisions of the Nonarbitrage Certificate. Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the Nonarbitrage Certificate.

SECTION 20. Payment of Costs of Issuance. Proceeds of the sale of the Bonds necessary to pay all costs of issuing the Bonds shall be deposited in the fund of the District known as the "El Rancho Unified School District Series 2013 Cost of Issuance Fund" (the "**Cost of Issuance Fund**") and shall be kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Bonds. The Cost of Issuance Fund may be held and administered by the Paying Agent. Notwithstanding the foregoing, all or a portion of the costs of issuance may be paid by the Underwriter or by a fiscal agent designated for such purpose. Any amounts retained for payment of Costs of Issuance and returned to the District pursuant to the Contract of Purchase shall be transferred to the Debt Service Fund to be applied to the payment of the principal of and/or interest on the Bonds.

SECTION 21. Negotiated Sale/Method of Sale. The Bonds shall be sold by negotiated sale to the Underwriter inasmuch as: (i) such a sale will allow the District to integrate the sale of the Bonds with other public financings undertaken, or to be undertaken, by the District in order to refinance outstanding debt or finance and fund its public education facilities; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; and (iii) such a sale will allow the District to

control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market and the generation of increased savings to the taxpayers of the District.

SECTION 22. Engagement of Consultants; Parameters of Sale. Caldwell Flores Winters, Inc. has been selected to act as financial advisor to the District, Nixon Peabody LLP has been selected as the District's bond and disclosure counsel and George K. Baum & Company has been selected to act as Underwriter with respect to the authorization, sale and issuance of the Bonds. The estimated costs of issuance associated with the sale of the Bonds are approximately 1.0% of the estimated par amount of the Bonds, which include the financial advisor's fees, bond and disclosure counsel fees, costs of printing the Official Statement, rating agency fees, Paying Agent fees, Escrow Agent fees, the fees of the Verification Agent, the fees of the Financial Advisor and other related costs. In addition, the estimated Underwriter's discount, which is not included in the percentage above, is 0.9% of the estimated par amount. An estimate of the itemized fees and expenses is on file with the Superintendent. All or a portion of the Bonds may be sold with bond insurance or other form of credit enhancement, if an Authorized Officer determines that the savings to the District resulting from the purchase of such bond insurance exceeds the cost thereof. Bond insurance, if purchased, is estimated to cost approximately \$18,000.

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

SECTION 24. Request for Necessary County Actions.

(a) The Board of Supervisors, the Auditor-Controller, the Treasurer, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of a property tax on all taxable property of the District sufficient to provide for payment of all principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable as necessary for the payment of the Bonds, and the Clerk of the Board is hereby authorized and directed to deliver certified copies of this Resolution to the Executive Officer-Clerk of the Board of Supervisors of the County, the Auditor-Controller of the County, and the Treasurer. The Board hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the District shall reasonably request.

(b) The Board of Supervisors, the Auditor-Controller, the Treasurer and other officials of the County, are hereby requested to take and authorize such actions as may be necessary, upon, but only upon, the defeasance or redemption of the Refunded Bonds from proceeds of the Bonds, to discontinue the levy of property taxes on all taxable property of the District for the payment of the Refunded Bonds, pursuant to Section 53561 of the Government Code.

SECTION 25. Notice of Redemption of Refunded Bonds. The Escrow Agent is hereby authorized and directed to give notice of redemption of the Refunded Bonds, pursuant to the terms of the resolution of the County Board of Supervisors authorizing the issuance thereof and pursuant to the terms of the Escrow Agreement.

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

SECTION 27. Selection of Bonds for Redemption. Whenever provision is made in this Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the payment date designated for such redemption, shall select Bonds for redemption in the manner directed by the District. Within a series and maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

SECTION 28. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Contract of Purchase, the Paying Agent, upon written instruction from the District given at least 60 days prior to the payment date designated for such redemption, shall give notice (each, a "**Redemption Notice**") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (a) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and (b) 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 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

(b) In the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, 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 Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice

shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the MSRB.

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

SECTION 29. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

SECTION 30. 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 Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in this Resolution and the Contract of Purchase, 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 with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

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

SECTION 31. Paying Agent; Appointment and Acceptance of Duties.

(a) The Treasurer or his or her designated agent is hereby appointed as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent"). The Treasurer is authorized to contract with any third party to perform the services of Paying Agent under this Resolution. All fees and expenses incurred for services of the Paying Agent, including its third party agents, shall be the sole responsibility of the District. The Paying Agent shall keep accurate records of all funds administered by it and all of the Bonds paid and discharged by it.

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

SECTION 32. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 33. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 34. Compensation. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution, all of which may, pursuant to Education Code Section 15232, be paid from the County's annual levy of *ad valorem* taxes.

SECTION 35. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 36. Resignation or Removal of Paying Agent and Appointment of Successor.

(a) The initially appointed Paying Agent may resign from service as Paying Agent at any time. Prior to such resignation a new Paying Agent shall be appointed by the District in accordance with applicable law, which shall be the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District, a written acceptance thereof. Resignation of the initial or a successor Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(b) Any Paying Agent appointed may resign from service as Paying Agent and may be removed at any time by the District as provided in the Paying Agent's service agreement. If at any time the Paying Agent shall resign or be removed, a new Paying Agent shall be appointed in accordance with applicable law, which shall be either the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent

Item 17.4 H

shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District, a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(c) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor. The District shall promptly provide notice of the name and principal corporate trust office address of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Owners of the Bonds by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

SECTION 37. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds or accounts, subject to any conditions set forth in the Nonarbitrage Certificate. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book-entry form on the books of the Department of the Treasury of the United States. All investment earnings on amounts on deposit in the Debt Service Fund shall remain on deposit in such respective funds.

SECTION 38. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account. In computing the amount in any fund or account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued interest.

SECTION 39. Supplemental Resolutions with Consent of Owners. This Resolution, and the rights and obligations of the District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that so long as a Bond Insurance Policy is in effect, and provided that the Bond Insurer complies with its obligations thereunder, any Bond Insurer shall be deemed to be the sole Owner of the Bonds for purposes of this sentence. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 40. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:

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

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

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

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

(e) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the interests of the Owners.

SECTION 41. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent thereof from taking any action pursuant thereto.

SECTION 42. Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

- (1) by paying or causing to be paid the principal, premium, if any, and interest on such Bonds, and when the same become due and payable;
- (2) by depositing with the Paying Agent, in trust, at or before maturity, cash which together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

- (3) by depositing with an institution that meets the requirements of serving as successor Paying Agent pursuant to Section 36 selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and 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 Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under this Resolution with respect to such Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under Section 34 hereof.

SECTION 43. Approval of Actions; Miscellaneous.

(a) The Authorized Officers of the District 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 Bonds or 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.

(b) The County, its Board of Supervisors, officers, agents, and employees shall not be responsible for any proceedings or the preparation or contents of any resolutions, certificates, statements, disclosures, notices, contracts, or other documents relating to the sale and issuance of the Bonds.

(c) The principal of and interest and redemption premium (if any) on the Bonds shall not constitute debt or an obligation of the County, its Board of Supervisors, officers, agents, or employees, and the County, its Board of Supervisors, officers, agents, and employees thereof shall not be liable thereon. In no event shall the principal of and interest and redemption premium (if any) on any Bond be payable out of any funds or property of the County.

(d) The Clerk shall send a certified copy of this Resolution, together with the final debt service schedule for the Bonds, to the Treasurer.

SECTION 44. Conflicts. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Contract of Purchase, the Contract of Purchase prevails to the extent of the inconsistency or conflict. If there is any inconsistency or

Item 17.4 H

conflict between any provision of this Resolution and any provision of the Nonarbitrage Certificate, the Nonarbitrage Certificate prevails to the extent of the inconsistency or conflict.

SECTION 45. Effective Date. This Resolution shall take effect immediately upon its passage.

Item 17.4 H

ADOPTED, SIGNED AND APPROVED this 10th day of October, 2013, by the Board of Education of the El Rancho Unified School District , at a regularly scheduled meeting held in Pico Rivera, California, at a location freely accessible to the public, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

**BOARD OF EDUCATION OF EL RANCHO
UNIFIED SCHOOL DISTRICT**

By: _____
President of the Board of Education

Attest:

By: _____
Clerk of the Board of Education

EXHIBIT A
FORM OF BOND

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

EL RANCHO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2013

\$ _____

No. R-

Interest
Rate
_____%

Maturity Date
August 1, _____

Dated Date

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The El Rancho Unified School District (the "District"), a unified school district duly organized and existing under the laws of the State of California, located within the County of Los Angeles, State of California (the "County"), for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner set forth above the principal amount set forth above, on the Maturity Date set forth above, together with interest thereon from the dated date set forth above until the principal amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the interest rate set forth above. Interest on this Bond is payable on February 1, 2014, and semiannually thereafter on the first day of February and August (each, an "Interest Payment Date") in each year to the registered owner hereof from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (each, a "Record Date") and before the close of

Item 17.4 H

business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on the first Record Date, in which event it shall bear interest from its date; *provided, however*, that if at the time of registration of this Bond, interest with respect hereto is in default, interest with respect hereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment). The principal amount hereof is payable at the office of U.S. Bank National Association, as agent of the Treasurer and Tax Collector of the County of Los Angeles, as paying agent (the "**Paying Agent**"), or at the office of a successor Paying Agent appointed pursuant to the Resolution (as hereinafter defined). The interest hereon is payable by check or draft mailed by first class mail to each registered owner (an "**Owner**"), at his address as it appears on the registration books kept by the Paying Agent as of the Record Date, or by wire transfer to any Owner of \$1,000,000 in principal amount or more of Bonds, to the account specified by the Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

The Bonds of this issue are comprised of \$_____ principal amount of El Rancho Unified School District General Obligation Refunding Bonds, Series 2013. This Bond is issued by the District under and in accordance with the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Sections 53550 and 53580, respectively) of the Government Code of the State of California, and pursuant to a resolution adopted by the Board of Education of the District on _____, 2013 (the "**Resolution**"). Reference is hereby made to the Resolution, a copy of which is on file with the Clerk of the Board of Education of the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the registered owners of the Bonds and the rights and duties of the Paying Agent, and the District, to all of the provisions of which the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution.

The Bonds are being issued for the purpose of effecting an advance refunding of certain outstanding general obligation bonds of the District issued pursuant to an authorization obtained from the qualified electors of the District on November 4, 2003, for the issuance of \$49,500,000 aggregate principal amount of general obligation bonds and to pay costs of issuance with regard to the Bonds.

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

This Bond is issued in fully registered form. Registration of this Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and

upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same principal Amount and in authorized denominations will be issued to the transferee in exchange herefor. The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

[The Bonds maturing on and prior to August 1, 20 __, shall not be subject to redemption prior to their scheduled maturities; Bonds maturing on and after August 1, 20 __, shall be subject to optional redemption at a price of par, plus accrued interest to the date of redemption, on August 1, 20 __ and any date thereafter.]

The rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of Owners of at least 60% in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that so long as any Bond Insurance Policy is in effect, and provided that the Bond Insurer complies with its obligations thereunder, the Bond Insurer shall be deemed to be the sole Owner of the Bonds for purposes of this sentence. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such supplemental resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

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

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

Item 17.4 H

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Authorizing Law and that all of the proceedings of the Board of Education of the District and in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Authorizing Law and of the Constitution of the State of California.

IN WITNESS WHEREOF, the El Rancho Unified School District has caused this Bond to be executed as of the date hereof.

EL RANCHO UNIFIED SCHOOL DISTRICT

Dated: _____, 20__

By: [FORM ONLY] _____
President, Board of Education

Attest:

By: [FORM ONLY] _____
Clerk of the Board of Education

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of El Rancho Unified School District.

DATED: _____

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

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

Name of Transferee: _____
Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

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

Registered Owner

Dated: _____

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By: _____
Authorized Officer

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

EXHIBIT B

FORM OF 15c2-12 CERTIFICATE

With respect to the proposed sale of its General Obligation Refunding Bonds, Series 2013 in the maximum aggregate principal amount of not to exceed \$6,300,000, the El Rancho Unified School District (the "**District**") has delivered to you a Preliminary Official Statement, dated as of the date hereof (the "**Preliminary Official Statement**"). The District, for purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission ("**Rule 15c2-12**"), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the information permitted under Rule 15c2-12.

EL RANCHO UNIFIED SCHOOL DISTRICT

Dated: _____, 2013

By: [FORM ONLY] _____
Authorized Officer

§ _____
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

CONTRACT OF PURCHASE

November ____, 2013

El Rancho Unified School District
9333 Loch Lomond Drive
Pico Rivera, California 90660

Ladies and Gentlemen:

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

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$_____ in aggregate principal amount of the District's General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are being issued as current interest bonds. The Bonds shall bear interest at the rates, and shall mature in the years shown on Appendix A hereto, which is incorporated herein by this reference.

The amount received from the Underwriter in exchange for the Bonds shall be \$_____ (consisting of the \$_____ principal amount of the Bonds, [plus/less] \$_____ of [net] original issue [premium/discount], less an underwriter's discount of \$_____, [less premium of a municipal bond insurance policy of \$_____ paid to _____] (the "Insurer").

2. **The Bonds.** The Bonds shall be issued as identified on Appendix A hereto and shall be subject to redemption as described in Appendix A hereto. In all other respects the Bonds shall be as described in, and shall be issued and secured pursuant to (i) Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, Articles 9 and 11, as amended, (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution (together, the "Authorizing Law"), and pursuant to the provisions of

Item 17.4 H

the resolution of the District adopted on October 10, 2013 (the "District Resolution"). All capitalized terms used herein without definition shall have the meanings given to them in the District Resolution.

The Bonds shall be dated the date of delivery and shall mature on the dates and in the years as shown on Appendix A hereto and be subject to optional redemption all as shown on Appendix A hereto. The Bonds shall bear interest at the rates shown in Appendix A hereto; interest on the Bonds shall be payable each February 1 and August 1, commencing February 1, 2014.

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

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Contract of Purchase and an Official Statement (defined below), the District Resolution, the Continuing Disclosure Undertaking executed by the District (the "Continuing Disclosure Undertaking") and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

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

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Contract of Purchase is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction the Underwriter has not assumed a fiduciary responsibility in favor of the District with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters) or (y) any other obligation to the District except the obligations expressly set forth in this Contract of Purchase, and (iii) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

5. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated October __, 2013 (the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds

which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

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

6. **Closing.** At 8:30 a.m., California Time, on November __, 2013, or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us, at the offices of DTC or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and in San Francisco, California, or such other place mutually agreed upon by the Underwriter and the District, the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof as provided in Section 1.

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

(a) Due Organization. The District is a public instrumentality duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Authorizing Law.

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Contract of Purchase and the Escrow Agreement, dated as of November 1, 2013, by and between the District and U.S. Bank National Association, as escrow agent (in such capacity, the "Escrow Agent"), for the purpose of paying principal, interest and redemption premium to become due on the El Rancho Unified School District General Obligation Bonds, Election of 2003, Series 2004 (the "2004 Bonds") (the "Escrow Agreement"), to adopt the District Resolution, to execute the Continuing Disclosure Undertaking, to perform its obligations and undertakings under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Contract of Purchase, the Escrow Agreement and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the Escrow Agreement, the Continuing Disclosure Undertaking, and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase constitutes a valid and legally binding obligation of the District; (v) the Escrow Agreement constitutes the valid and legally binding obligation of the District; and (vi) the District has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

Item 17.4 H

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

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

(e) Litigation. As of the time of acceptance hereof no action, suit, proceeding, hearing or investigation is pending in which service of process has been completed against the District or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the District Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Contract of Purchase, the Escrow Agreement or the District Resolution or contesting the powers of the District or the District Resolution, the Escrow Agreement or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Contract of Purchase or the District Resolution, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of interest paid on the Bonds from California personal income taxation.

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

(g) Arbitrage Certificate. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

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

(i) Official Statement Accurate and Complete. At the date thereof, the Preliminary Official Statement (excluding any information related to DTC and the book-entry system, information under the captions "BOND INSURANCE," "COUNTY INVESTMENT POOL" and "UNDERWRITING," and Appendix E and Appendix F, as to which no representation is made) did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the final Official Statement (excluding any information related to DTC and the book-entry system, information under the captions ["BOND INSURANCE"], "UNDERWRITING" and "COUNTY INVESTMENT POOL" or in Appendix E [,] [and] Appendix F [and Appendix H (Municipal Bond Insurance Policy)]) to the final Official Statement as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

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

(k) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Contract of Purchase is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being called the "Official Statement") in such reasonable quantities as may be requested by the Underwriter not later than seven (7) business days following the date this Contract of Purchase is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds.

Item 17.4 H

(l) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect in any material respect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is twenty-five (25) days following the end of the underwriting period as defined in the Rule (the later of the Closing or the time that the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public). The end of the underwriting period shall be the Closing unless the Underwriter notifies the District to the contrary prior to or concurrently with the Closing.

(m) Amendments to Official Statement. For a period of twenty-five (25) days after the end of the underwriting period, the District will not adopt any amendment or supplement to the Official Statement to which, promptly after having been furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by the Underwriter; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which they were made, forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(n) Continuing Disclosure. The District will undertake, pursuant to the District Resolution and the Continuing Disclosure Undertaking, to provide certain annual financial information and notices of the occurrence of certain events. A description of the Continuing Disclosure Undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement as Appendix D. Except as described in the Preliminary Official Statement and the Official Statement, the District has not failed to comply in the last five years in any material respect with the terms of any continuing disclosure agreement entered into prior to the date hereof relating to the provision of annual reports in accordance with the Rule.

(o) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Auditor-Controller of the County a copy of the District Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with applicable law and policies and procedures of the County.

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

(q) References. References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto and any supplements thereto.

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

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

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Contract of Purchase and the District Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Authorizing Law which, in the opinion of Nixon Peabody LLP, bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the District Resolution and this Contract of Purchase or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, be threatened which has any of the effects described in Section 7(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

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

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

Item 17.4 H

- (i) by or on behalf of the United State Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or
 - (ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended,
- (2) the outbreak of new or material escalation in major military hostilities by the United States or the occurrence of any other new national emergency or calamity relating to the effective operation of the government or the financial community in the United States;
- (3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;
- (4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;
- (5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the Federal securities laws, as amended and then in effect;
- (6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency, other than as a result of a downgrade of the claims paying ability of an insurer of any such outstanding indebtedness;
- (7) [the downgrading of the claims paying ability of the Insurer;]
- (8) the suspension by the Securities and Exchange Commission of trading in the outstanding securities of the District; or

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

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

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity of the Bonds and the tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District;

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

(3) Certificates. A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution, the Escrow Agreement and this Contract of Purchase to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such District official has reviewed the Official Statement and on such basis certifies that the Official Statement (excluding any information related to DTC and the book-entry system and information under the captions ["BOND INSURANCE",] "UNDERWRITING" and "COUNTY INVESTMENT POOL" or in Appendix E [,] [and] Appendix F [and Appendix H (Municipal Bond Insurance Policy)]) does not contain any untrue statement of a material fact required to be stated therein or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the District Resolution, and (vi) no further consent is required for inclusion of the District's audited financials in the Official Statement;

(4) Arbitrage. A tax and nonarbitrage certificate of the District with respect to the Bonds in form satisfactory to Bond Counsel;

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

Item 17.4 H

- (i) such copies are true and correct copies of the District Resolution; and
- (ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.
- (6) Escrow Agreement. Executed copies of the Escrow Agreement.
- (7) Certificate Regarding Preliminary Official Statement. A certificate signed by an appropriate official of the District to the effect that the District deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to the Rule;
- (8) Insurance Policy: A certified copy of the bond insurance policy (the "Policy") guaranteeing the scheduled payment of the principal of and interest on the maturities of the Bonds and any other documents executed in connection therewith;
- (9) Insurer Certificate: A certificate of the Insurer, dated the Closing Date, signed by an authorized officer of said insurer, that (i) the information contained under the caption "BOND INSURANCE" in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) the specimen of the bond insurance policy contained in Appendix H to the Official Statement is a true and correct specimen of the policy being issued by said insurer of the Insured Bonds.
- (10) Insurer's Counsel Opinion. An opinion of counsel to the Insurer, dated the Closing Date, addressed to the Underwriter and in form and substance satisfactory to the Underwriter;]
- (11) Ratings. A letter from Standard & Poor's, a division of the The McGraw Hill Companies, Inc. ("S&P") assigning a rating of "___" (stable outlook) to the Bonds, which rating is in full force and effect on the Closing Date;
- (12) Defeasance Opinion. Opinions of Bond Counsel as to the defeasance of the 2004 Bonds, in such form and substance as acceptable to Underwriter;
- (13) Disclosure Counsel Opinion. An opinion of Nixon Peabody LLP, Disclosure Counsel, in such form and substance as acceptable to the Underwriter;
- (14) Paying Agent/Escrow Agent Authorization. Certified copies of the excerpts of the Bylaws of the Paying Agent and the Escrow Agent authorizing the

execution and delivery of certain documents by certain officers of the Paying Agent and the Escrow Agent, as the case may be, which resolution authorizes the execution and delivery of the Bonds, the Paying Agent Agreement and the Escrow Agreement;

(15) Paying Agent/Escrow Agent Certificate. A certificate of the Paying Agent/Escrow Agent dated the Closing Date, signed by a duly authorized officer of the Paying Agent/Escrow Agent, in form and substance satisfactory to the Underwriter, to the effect that:

(i) Due Organization and Existence – The Paying Agent/Escrow Agent is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into and perform its duties under the Paying Agent Agreement and the Escrow Agreement;

(ii) Corporate Action – The Paying Agent/Escrow Agreement is duly authorized to enter into the Paying Agent Agreement and the Escrow Agreement and, when executed by the other parties thereto, the Paying Agent Agreement and the Escrow Agreement will constitute a legal, valid and binding obligations of the Paying Agent/Escrow Agent, enforceable in accordance with their terms;

(iii) No Conflict – The execution and delivery by the Paying Agent/Escrow Agent of the Paying Agent Agreement and Escrow Agreement and compliance with the respective terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any bond, resolution or any other agreement or instrument to which the Paying Agent/Escrow Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Paying Agent/Escrow Agent or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Paying Agent/Escrow Agent.

(16) [Consent of Bond Insurer for 2004 Bonds]. The consent of Financial Guaranty Insurance Company, as provider of a municipal bond insurance policy for the 2004 Bonds];

(17) Verification Report. A verification report of Causey Demgen & Moore, P.C., as to the sufficiency as of the amount deposited in the escrow funds established pursuant to the Escrow Agreement;

(18) Continuing Disclosure Undertaking. An executed copy of the Continuing Disclosure Undertaking; and

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

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

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

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

10. **Expense.** The District shall pay or cause to be paid all expenses incident to the issuance of the Bonds (except as otherwise agreed to by the District), including but not limited to the following: (i) the fees and disbursements of the District's financial advisors; (ii) the fees and disbursements of Bond Counsel and Underwriter's Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds (including the cost of obtaining CUSIP numbers); (iv) the fees, if any, for Bond ratings, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the initial fees of the Paying Agent; and (vii) all other fees and expenses incident to the issuance and sale of the Bonds[, including bond insurance premium]. Such expenses may be paid from the proceeds of the Bonds. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, fees paid to the California Public Securities Association or the Securities Industry and Financial Markets Association, travel and other expenses (except as provided herein and except travel and related expenses in connection with the bond ratings) shall be paid by the Underwriter and such expenses may not be paid from the proceeds of the Bonds.

11. **Notices.** Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the District, to El Rancho Unified School District, Attention: Superintendent, 9333 Loch Lomond Drive, Pico Rivera, CA 90660, or if to the Underwriter, to George K. Baum & Company, Attention: Lynn Paquin, Executive Vice President, 555 Capitol Mall, Suite 700, Sacramento, California 95814.

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

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

Item 17.4 H

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

Very truly yours,

GEORGE K. BAUM & COMPANY

By: _____
Authorized Signatory

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

EL RANCHO UNIFIED SCHOOL
DISTRICT

By: _____
Authorized Representative

APPENDIX A

\$ _____
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

\$ _____ Current Interest Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Current Interest Term Bonds Due August 1, 20__;
Yield: _____%; Price: \$ _____

° Priced to a par call of [August 1, 20__.]

REDEMPTION

Optional Redemption. The Bonds are subject to redemption at the option of the District, as a whole or in part in the manner directed by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the principal amount of the Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Redemption. The Bonds maturing on August 1, 20__ are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such Bonds to be redeemed and the dates therefor shall be as follows:

Redemption Dates
(August 1) **Principal Amount**

*

* Final Maturity

ESCROW AGREEMENT

Dated as of
November 1, 2013

By and Between

EL RANCHO UNIFIED SCHOOL DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

RELATING TO THE DEFEASANCE OF
THE EL RANCHO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS,
ELECTION OF 2003, SERIES 2004

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of November 1, 2013 (this “**Escrow Agreement**”), is entered into by and between the EL RANCHO UNIFIED SCHOOL DISTRICT, a unified school district organized and existing under the laws of the State of California (the “**District**”), U.S. BANK NATIONAL ASSOCIATION, a national banking association, as escrow agent (the “**Escrow Agent**”).

WITNESSETH

WHEREAS, the El Rancho Unified School District General Obligation Bonds Election of 2003, Series 2004 have been previously issued in an original aggregate principal amount of \$7,407,516 (the “**2004 Bonds**”) pursuant to resolutions adopted by the Board of Education of the District on November 9, 2004 (the “**2004 District Resolution**”) and by the Board of Supervisors of the County of Los Angeles on November 30, 2004 (the “**2004 County Resolution**”) and together with the 2004 District Resolution, the “**2004 Resolution**”); and

WHEREAS, the District desires to defease those of its 2004 Bonds maturing on [August 1, 2014 through August 1, 2029] as set forth in Exhibit A hereto (such 2004 Bonds to be defeased are hereinafter referred to as the “**Prior Bonds**”) and to issue and sell its General Obligation Refunding Bonds, Series 2013 for that purpose (the “**Bonds**”); and

WHEREAS, payments of principal of, accreted value and interest on the Prior Bonds shall be made as described in Exhibit A hereto;

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Sections 53550 and 53580, respectively) of the Government Code of the State of California (the “**Government Code**”), and pursuant to a resolution adopted by the Board of Trustees of the District on October 10, 2013 (the “**District Resolution**”), the District is authorized to issue the Bonds to defease the Prior Bonds; and

WHEREAS, pursuant to Section 53558(a) of the Government Code, the District is authorized to deposit the proceeds of the sale of the Bonds in escrow in an amount sufficient to pay (i) the principal of and interest and redemption premiums on the Prior Bonds as they become due or at designated dates prior to maturity, and (ii) the costs of issuance of the Bonds.

NOW, THEREFORE, in consideration of the following, the District and the Escrow Agent DO HEREBY AGREE as follows:

SECTION 1. Definitions. Terms used herein and not otherwise defined shall have the meanings given such terms in the District Resolution.

SECTION 2. Establishment of Escrow Fund. There is hereby established in trust a special fund designated as the “El Rancho Unified School District General Obligation Refunding Bonds, Series 2013 Escrow Fund” (the “**Escrow Fund**”), which fund shall be held by the Escrow Agent and which shall be kept separate and apart from all other funds and moneys held by the Escrow Agent. The Escrow Agent shall maintain the Escrow Fund until all principal

of and accreted value and interest on the Prior Bonds have been paid in full. The Escrow Agent shall administer the Escrow Fund as provided herein. Subject to Section 5 hereof, all securities, investments and moneys in the 2003 Prior Bonds Escrow Fund have been irrevocably pledged by the District to secure (a) the scheduled payment of the principal and interest on the Prior Bonds on and prior to August 1, 2014 (the "**Redemption Date**") and (b) the payment of the redemption price of the Prior Bonds maturing after the Redemption Date (the "**Redeemed Bonds**"), together with accrued interest thereon, on the Redemption Date.

SECTION 3. Funding and Investment of the Escrow Fund. On the date of delivery of the Bonds (the "**Closing Date**") the District shall provide to the Escrow Agent for deposit in the Escrow Fund (and the Escrow Agent shall so deposit) an amount equal to \$[] from the proceeds of the Bonds as provided in the Request/Directions to the Escrow Agent executed in connection with the issuance of the Bonds. The amounts in the Escrow Fund shall be held in cash or noncallable [noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and 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 2004 Bonds ("**Federal Securities**") 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 Prior Bonds. The District certifies that upon deposit of such amount in accordance herewith, the Prior Bonds will have been discharged in accordance with the 2004 County Resolution. Of the amounts in the Escrow Fund, \$[] shall be applied to the purchase of [Federal Securities] as described in Exhibit C hereto (the "**Government Obligations**") and \$[] shall be held in cash.

SECTION 4. Payment of the Prior Bonds.

(a) The Escrow Agent shall collect and deposit in the Prior Bonds Escrow Fund the principal of and interest on all investments held for the account of the Escrow Fund promptly as such principal, accreted value and interest becomes due and shall apply such principal, accreted value and interest, together with any other moneys on deposit in the Escrow Fund, in accordance with these instructions, to pay the principal of and accreted value and interest on the Prior Bonds as it comes due in accordance with the schedule attached hereto as Exhibit A.

The instructions set forth in this Section 4(a) are irrevocable.

(b) The District hereby irrevocably instructs the Paying Agent for the Prior Bonds to give notice of redemption of the Redeemed Bonds when and as required by the County Resolution.

(c) The District hereby irrevocably instructs the Paying Agent for the Prior Bonds to give notice of the defeasance of the Prior Bonds to the registered owner thereof, by first-class mail, postage prepaid, as soon as practicable stating that such Prior Bonds are deemed to have been paid, in the form attached here to as Exhibit D.

Item 17.4 H

(d) If at any time the Escrow Agent shall know that the money in the Escrow Fund will not be sufficient to make all payments required by this Section, the Escrow Agent shall notify the Superintendent of the District in writing as soon as reasonably practicable of such fact, the amount of such deficiency and the reason therefor and the District shall timely deposit into the Escrow Fund such additional amounts as may be required to pay the Prior Bonds as described in Exhibit A. The Escrow Agent shall not be deemed to have knowledge of any such deficiency unless and until the corporate trust officer of the Escrow Agent responsible for the Escrow Fund shall have actual knowledge thereof.

In no event shall the fees of and the costs incurred by the Escrow Agent hereunder be deducted from, or constitute a lien against, the Escrow Fund.

(d) Based upon the report of Causey Demgen & Moore, P.C., independent certified public accountants, as to the sufficiency of the moneys to be held in the Escrow Fund to pay the Prior Bonds in full on the maturity date (the "**Verification Report**"), all obligations of the District under the 2004 Resolution with respect to such Prior Bonds shall cease and terminate, except as described in the 2004 Resolution. The District shall continue to be bound to pay rebate, if any, due to the United States of America under Internal Revenue Code §148(f), as provided in the 2004 Resolution.

SECTION 5. Excess Moneys. (a) After the final payment required by Section 4 hereof is made by the Escrow Agent, any moneys and/or securities remaining on deposit in the Escrow Fund which are not required for payment of the Escrow Agent's fees and costs hereunder shall be transferred by the Escrow Agent to the District.

(b) Prior to any withdrawal from the Escrow Fund of moneys not needed to pay the principal, accreted value or redemption price of and interest due or to become due on the Prior Bonds resulting from any activity described in paragraphs (3) or (4) above or any other action of the District permitted by the Resolution (including that certain of the Prior Bonds have ceased to be Outstanding by virtue of the fact that such Prior Bonds have been acquired by the District and tendered to the Escrow Agent for cancellation), except as provided by paragraphs (3) and (4) above, the District shall provide to the Escrow Agent (a) a certification from a nationally recognized independent certified public accountant or a firm of such accountants that after any such withdrawal the principal of and interest on the moneys and securities on deposit in the Escrow Fund, together with other moneys available for such purpose on deposit in the Escrow Fund, shall be sufficient to pay without reinvestment, when due, the principal, accreted value or redemption price of and interest on the Prior Bonds and (b) an Opinion of Counsel addressed to the District and the Escrow Agent that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Prior Bonds or the Bonds.

SECTION 6. Substitution of Federal Securities and Investment of Cash Balances. (a) Upon the written direction of an authorized officer of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of the Federal Securities; provided that, subject to paragraph (c) below, there are substituted therefor and delivered to the Escrow Agent other Federal Securities as hereinafter provided.

(b) Upon the written direction of an authorized officer of the District, subject to the conditions and limitations set forth in paragraph (c) below and to the terms of the County Resolution, the Escrow Agent shall reinvest cash balances in the Escrow Fund in Federal Securities; provided that any such securities purchased pursuant to this paragraph (b) shall mature on such date or dates necessary to meet the respective requirements of Section 4 hereof, and provided that (i) the yield on such securities shall not exceed the yield on the Bonds and (ii) the reinvestment shall be permitted by the Verification Report, or the Escrow Agent shall have received a new report of an independent certified public accountant as to the sufficiency of the moneys to be held in the Escrow Fund after such reinvestment to satisfy the Escrow Requirements described on Exhibit A hereto.

(c) The District, by this Escrow Agreement, hereby covenants and agrees that it will not request the Escrow Agent to exercise any of its powers described in paragraphs (a) or (b) above in any manner if such exercise of powers described in paragraphs (a) and (b) above would cause any of the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the date of such Bonds. Any purchase of substitute securities by the Escrow Agent shall be accomplished in accordance with paragraph (a) above to the extent such purchases are to be made with the proceeds derived from the sale, transfer, redemption or other disposition of the Federal Securities. Such sale, transfer, redemption or other disposition of the Federal Securities and such substitution may be effected only by a simultaneous transaction as described in paragraph (a) above only if (i) the amounts and dates of the anticipated payments by the Escrow Agent of the principal of and accreted value and interest on the Prior Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall have received an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of the Federal Securities does not cause interest on the Bonds to be subject to federal income taxation under relevant provisions of the Code and the regulations thereunder in effect on the date of such sale, transfer, redemption or other disposition or substitution and applicable to obligations issued on the date of issuance of the Bonds and (iii) the Escrow Agent shall have received a report of an independent certified public accountant as to the sufficiency of the moneys to be held in the Escrow Fund after such substitution to satisfy the Escrow Requirements described on Exhibit A hereto.

ARTICLE II

IMMUNITIES AND LIABILITIES OF THE ESCROW AGENT

SECTION 7. Duties. The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Agent.

SECTION 8. Liabilities. The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special indirect or consequential damages. The liability of the Escrow Agent to make the transfers required by Section 4 shall be limited to the moneys in the Escrow Fund. The Escrow Agent shall not be liable for the accuracy of any calculations

Item 17.4 H

provided as to the sufficiency of the moneys deposited with it to pay the principal of or accreted value or interest on the Prior Bonds. The Escrow Agent shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Escrow Agreement.

SECTION 9. Opinion of Counsel. The Escrow Agent may consult with counsel of its own choice and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

SECTION 10. Representations. The Escrow Agent shall not be responsible for any of the recitals or representations contained herein.

SECTION 11. Indemnification. (a) The District, to the extent permitted by law, agrees to indemnify the Escrow Agent, its agents and its officers or employees for, and hold the Escrow Agent, its agents and its officers or employees harmless from, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind (including, without limitation, reasonable fees and disbursements of counsel or accountants for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time by reason of its performance of the Escrow Agent's services, in any transaction arising out of the Escrow Agreement or any of the transactions contemplated herein, unless due to the negligence or willful misconduct of the particular indemnified party.

(b) The obligations of the District hereunder to the Escrow Agent shall survive the termination or discharge of this Escrow Agreement or the resignation of the Escrow Agent.

SECTION 12. Certificates. Whenever in the administration of this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Agreement.

SECTION 13. Resignation. The Escrow Agent may at any time resign by giving written notice to the District of such resignation. The District shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective upon acceptance of appointment by a successor Escrow Agent. If the District does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent.

SECTION 14. Merger, Conversion or Consolidation. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 15. Assurances. No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 16. Compensation. The District shall compensate the Escrow Agent for its services provided hereunder as set forth in Exhibit D hereto.

ARTICLE III

MISCELLANEOUS

SECTION 17. Termination. This Escrow Agreement shall terminate immediately following the later to occur of (i) the payment of all amounts required to be paid pursuant to Section 4 hereof, (ii) the payment of the Escrow Agent's fees and costs hereunder, and (iii) the transfer of any excess funds to the District pursuant to Section 5 hereof.

SECTION 18. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

SECTION 19. Governing Law. This Escrow Agreement shall be construed in accordance with and governed by the laws of the State of California.

SECTION 20. Counterparts. This Escrow Agreement may be executed and acknowledged in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Item 17.4 H

SECTION 21. Notices. All notices required or authorized to be given to the District or the Escrow Agent pursuant to this Escrow Agreement shall be in writing and shall be hand delivered, sent by facsimile transmission, or sent by first-class mail (postage prepaid), to the following addresses or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof:

1. If to the District:

El Rancho Unified School District
Attn: Superintendent
9333 Loch Lomond Drive
Pico Rivera, California 90660

2. If to the Escrow Agent:

U.S. Bank National Association
Corporate Trust Department
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, El Rancho Unified School District and U.S. Bank National Association, as Escrow Agent, have entered into this Escrow Agreement as of the day and year first above written.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

EXHIBIT A
PRIOR BONDS

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$	%
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

<u>Maturity Date</u> <u>(August 1)</u>	<u>Final Maturity Amount</u>	<u>Interest Rate</u>
2029	\$	%

ESCROW REQUIREMENTS

Date Escrow Requirements

EXHIBIT B

NOTICE OF DEFEASANCE

EL RANCHO UNIFIED SCHOOL DISTRICT
 GENERAL OBLIGATION BONDS
 ELECTION OF 2003, SERIES 2004

Notice is hereby given to the registered owners of the outstanding certificates designated El Rancho Unified School District General Obligation Bonds Election of 2003, Series 2004 maturing [August 1, 20__ through August 1, 20 __, inclusive (the "Prior Bonds")]:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Yield</u>
	\$	%		\$	%

<u>Maturity Date</u> <u>(August 1)</u>	<u>Final Maturity Value</u>	<u>Interest Rate</u>
	\$	%

(i) that there has been deposited with U.S. Bank National Association, as escrow agent (in such capacity, the "Escrow Agent"), moneys and [noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and 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 2004 Bonds] the principal of and the interest on which when due will provide moneys which shall be sufficient and available to pay the principal of, accreted value and interest on, the Prior Bonds, (ii) the Prior Bonds are deemed to have been paid, and (iii) money will be available for the payment of the principal and accreted value with respect to the Prior Bonds on the redemption date of [August 1, 2014].

Dated this ___ day of _____, 2013.

U.S. BANK NATIONAL ASSOCIATION, as
 Escrow Agent and Trustee

**EXHIBIT C
FEDERAL SECURITIES**

(See Attached)

EXHIBIT D
SCHEDULE OF FEES

(See Attached)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Item 17.4 H

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2013

NEW ISSUE—BOOK ENTRY ONLY

RATING: S&P: “ ”
(See “RATING” herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on and Excess Accreted Value (as defined under “TAX MATTERS” herein) with respect to the Bonds are excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest on and Excess Accreted Value with respect to the Bonds are not treated as preference items in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on and Excess Accreted Value with respect to the Bonds will be exempt from personal income taxes of the State of California (the “State”) under present State law. Bond See “TAX MATTERS” herein regarding certain other tax considerations.

\$ _____ *
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

\$ _____ *
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The El Rancho Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2010, Series 2013B (the “New Money Bonds”) offered hereunder by the El Rancho Unified School District (the “District”) are being issued pursuant to pertinent provisions of the Government Code of the State of California, a resolution of the Board of Education of the District adopted on October 10, 2013, and an authorization received from the District’s voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District (the “Authorization”). The New Money Bonds are being issued to finance the acquisition, construction and modernization of District facilities and to pay the costs of issuing the New Money Bonds. The New Money Bonds are the second series of bonds issued under the Authorization, following which \$ _____ of the Authorization will remain.

The El Rancho Unified School District (County of Los Angeles, California) General Obligation Refunding Bonds, Series 2013 (the “Refunding Bonds” and together with the New Money Bonds, the “Bonds”) offered hereunder by the District are being issued pursuant to pertinent provisions of the Government Code of the State of California and a resolution of the Board of Education of the District adopted on October 10, 2013. The Refunding Bonds are being issued to refund a portion of the District’s General Obligation Bonds, Election of 2003, Series 2004, and to pay the costs of issuing the Refunding Bonds.

The New Money Bonds are being issued as current interest bonds (the “New Money Current Interest Bonds”), capital appreciation bonds (the “Capital Appreciation Bonds”) and convertible capital appreciation bonds (“Convertible Capital Appreciation Bonds”). The Refunding Bonds are being issued as current interest bonds (together with the New Money Current Interest Bonds, the “Current Interest Bonds”). The Bonds will mature on the dates and in the amounts and bear or accrete interest at the rates shown on the inside cover pages hereof. Interest on the Current Interest Bonds is payable on February 1, 2014, and semiannually thereafter on each February 1 and August 1. Principal on the New Money Current Interest Bonds is payable annually commencing on August 1, 2014. Principal on the Refunding Bonds is payable annually commencing on August 1, 2014. The Capital Appreciation Bonds will not bear current interest, but will accrete in value from their initial issue amounts (the “Denominational Amount”) to their respective accreted values on their respective maturity dates (the “Maturity Amount”). Interest on the Capital Appreciation Bonds will be compounded commencing February 1, 2014, and semiannually thereafter on each February 1 and August 1 and shall be payable only upon maturity. Prior to the applicable date that a Convertible Capital Appreciation Bond converts into a current interest bond (the “Conversion Date”), the Convertible Capital Appreciation Bonds will not pay current interest, but will accrete in value from their initial principal amounts on the date of delivery thereof to the Conversion Date (the initial principal amount plus such accretion, the “Conversion Value”). Prior to the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing February 1, 2014. No payment of interest will be made to the owners of Convertible Capital Appreciation Bonds prior to or on the Conversion Date. From and after the Conversion Date, the Convertible Capital Appreciation Bonds will pay current interest, such interest to accrue based upon the Conversion Value of the Convertible Capital Appreciation Bonds. Following the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be payable semiannually on each February 1 and August 1 thereafter, commencing on the first February 1 or August 1 after the applicable Conversion Date. See “THE BONDS” herein.

The Bonds will be issued in denominations of \$5,000 or integral multiples thereof and are payable as to principal, Maturity Amount or redemption price at the office of U.S. Bank National Association, Los Angeles, California, as dedicated agent for the Treasurer and Tax Collector of Los Angeles County, the paying agent, registrar and transfer agent (in such capacity, the “Paying Agent”). The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede &

Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry Only System."

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.* See "THE BONDS – Redemption."

The Bonds are general obligations of the District only and are not obligations of the County of Los Angeles (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal and interest or Maturity Amount on each Bond as the same becomes due and payable. The Bonds are dated their date of delivery and are issued on a parity with all other general obligation bonds of the District, including future issuances of the District's general obligation bonds authorized at subsequent elections.

As more fully described herein, the District may obtain a municipal bond insurance policy, which, if obtained, would insure the scheduled payment of principal or Maturity Amount of and interest on the Bonds when due. The District's decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Bonds.

MATURITY SCHEDULE
(On Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and certain other conditions. Nixon Peabody LLP is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Kronick, Moskowitz, Tiedemann & Girard. It is anticipated that the Bonds will be available through the facilities of DTC on or about November __, 2013.

GEORGE K. BAUM & COMPANY

Dated: November __, 2013

* Preliminary; subject to change.

MATURITY SCHEDULE*

**EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
2010 ELECTION, SERIES 2013B**

\$ _____ Current Interest Serial Bonds

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP (_____)†</i>
-------------------------------------	-----------------------------	----------------------	--------------	---------------------------

**\$ _____ % Current Interest Term Bonds due August 1, 20 __, Yield: _____ %
CUSIP No. _____ †: _____**

\$ _____ Capital Appreciation Serial Bonds

<i>Maturity Date (August 1)</i>	<i>Denominational Amount</i>	<i>Maturity Amount</i>	<i>Accretion Rate</i>	<i>Approximate Yield</i>	<i>CUSIP (_____)†</i>
-------------------------------------	----------------------------------	----------------------------	---------------------------	------------------------------	---------------------------

\$ _____ Convertible Capital Appreciation Serial Bonds

<i>Maturity Date (August 1)</i>	<i>Denominational Amount</i>	<i>Conversion Value</i>	<i>Accretion Rate</i>	<i>Approximate Yield</i>	<i>CUSIP (_____)†</i>
-------------------------------------	----------------------------------	-----------------------------	---------------------------	------------------------------	---------------------------

\$ _____ % Convertible Capital Appreciation Term Bonds

Due August 1, 20 __; Yield: _____ %; Conversion Date: August 1, 20 __; CUSIP No. _____ †: _____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE*

\$ _____
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

\$ _____ **Current Interest Serial Bonds**

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP</i> <i>(_____)</i> [†]
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\$ _____ % **Current Interest Term Bonds due August 1, 20**____, **Yield:** _____ %
CUSIP No. _____[†] _____

* Preliminary; subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Item 17.4 H

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

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

The information 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. Although certain information set forth in this Official Statement has been provided by the County of Los Angeles, the County of Los Angeles has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION (AS DEFINED HEREIN) BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS IN ANY STATE.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

EL RANCHO UNIFIED SCHOOL DISTRICT
County of Los Angeles, State of California

Board of Education

Delia Alvidrez, President
Rita Jo Ramirez, Vice President
Rachel Canchola, Clerk
Alfred Renteria, Jr.
Dr. Joseph Rivera

District Administrators

Martin Galindo, Superintendent
Leticia Covarrubias, Chief Business Officer

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Underwriter

George K. Baum & Company
Sacramento, California

Paying Agent

U.S. Bank National Association, as agent for the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore, P.C.
Denver, Colorado

TABLE OF CONTENTS

	Page		Page
INTRODUCTION.....	1	Direct and Overlapping Bonded	
PLAN OF FINANCE.....	2	Debt.....	19
PLAN OF REFUNDING.....	2	BOND INSURANCE.....	21
THE BONDS.....	3	CONSTITUTIONAL AND	
Authority for Issuance and		STATUTORY PROVISIONS	
Security for the Bonds	3	AFFECTING DISTRICT REVENUES	
Description of the Bonds.....	3	AND APPROPRIATIONS	21
Redemption	5	COUNTY INVESTMENT POOL	26
Selection of Bonds for		TAX MATTERS	27
Redemption.....	6	Federal Income Taxes	27
Notice of Redemption	7	State Taxes	28
Partial Redemption of Bonds	7	Original Issue Discount.....	28
Effect of Notice of Redemption	7	Original Issue Premium.....	28
Transfer and Exchange.....	8	Ancillary Tax Matters	28
Debt Service Schedule	9	Changes in Law and Post Issuance	
Discharge and Defeasance	9	Events	29
Book-Entry Only System	10	LEGAL OPINION	29
SECURITY AND SOURCES OF		LEGALITY FOR INVESTMENT	29
PAYMENT FOR THE BONDS.....	10	RATING.....	30
General.....	10	CONTINUING DISCLOSURE	30
<i>Ad Valorem</i> Property Taxes	10	UNDERWRITING.....	30
The Teeter Plan	11	FINANCIAL ADVISOR.....	31
Unitary Taxation for Utility		NO LITIGATION	31
Property.....	11	OTHER INFORMATION.....	32
Assessed Valuation	12		
Limitations on Remedies.....	14		
Commingling Risks.....	16		
Tax Levies and Delinquencies	16		
Tax Rates.....	17		
Largest Taxpayers	18		
Certain Existing Obligations	19		

TABLE OF CONTENTS
(continued)

	Page
APPENDIX A FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT	A-1
APPENDIX B FORM OF BOND COUNSEL OPINIONS	B-1
APPENDIX C AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE UNDERTAKING	D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F THE LOS ANGELES COUNTY TREASURY POOL	F-1
APPENDIX G ACCRETED VALUES TABLE	G-1

\$ _____*
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

\$ _____*
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevancy, materiality or relative importance, and this Official Statement, including the cover page, inside cover pages and appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Resolution (as defined herein).

El Rancho Unified School District (the "District"), a unified school district of the State of California (the "State"), proposes to issue \$ _____* aggregate principal or denominational amount of its General Obligation Bonds, Election of 2010, Series 2013B (the "New Money Bonds"), pursuant to (i) the provisions of Section 53506 of the California Government Code, applicable provisions of the California Education Code and other applicable laws and regulations of the State (the "New Money Act"), (ii) a resolution of the Board of Education of the District (the "Board") adopted on October 10, 2013 (the "New Money Resolution"), and (iii) an authorization received from the District's voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are the second series of bonds under the Authorization, following which \$ _____* of the Authorization will remain.

The District proposes to issue \$ _____* aggregate principal amount of its General Obligation Refunding Bonds, Series 2013 (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds"), pursuant to (i) Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, Articles 9 and 11, as amended, applicable provisions of the California Education Code and other applicable laws and regulations of the State (the "Refunding Act" and together with the New Money Act, the "Act"), and (ii) a resolution of the Board adopted on October 10, 2013 (the "Refunding Resolution" and together with the New Money Resolution, the "Resolution").

All general obligation bonds issued by or on behalf of the District are issued on a parity with the Bonds and with each other. See "THE BONDS – Debt Service Schedule" for a summary of the District's outstanding general obligation bonds.

The New Money Bonds will be issued in the form of current interest bonds ("New Money Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds") and convertible capital appreciation bonds ("Convertible Capital Appreciation Bonds"). The Refunding Bonds will be issued in the form of current interest bonds (together with the New Money Current Interest Bonds, the "Current Interest Bonds"). See "THE BONDS – Description of the Bonds" below. Proceeds from the sale of the New Money Bonds will be used to (i) finance the acquisition, construction and modernization of

* Preliminary; subject to change.

District facilities, and (ii) pay costs of issuance of the New Money Bonds. See "PLAN OF FINANCE." Proceeds from the sale of the Refunding Bonds will be used to (i) redeem a portion of the outstanding El Rancho Unified School District General Obligation Bonds, Election of 2003, Series 2004 (the "2004 Bonds") and (ii) pay costs of issuance of the Refunding Bonds. See "PLAN OF REFINANCE."

The District was established as a unified school district in 1963. Located in the County of Los Angeles (the "County"), the District is situated approximately eleven miles southeast of downtown Los Angeles, and encompasses approximately eight square miles within the City of Pico Rivera. The District provides elementary, junior high and high school facilities for students in kindergarten through grade twelve (K-12). The District operates eight elementary schools, three junior high schools school, one high school, one continuation school and one adult school. The District has certain direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – District Debt" herein. The District's audited financial statements for the fiscal year ended June 30, 2012 (the "Audit") are attached hereto as APPENDIX C. For further information concerning the District, see APPENDICES A and C attached hereto.

PLAN OF FINANCE

The net proceeds of the New Money Bonds will be used to finance the acquisition, construction, modernization, furnishing and equipping of school facilities as approved by the voters of the District pursuant to the Authorization. Through the Authorization, the voters of the District approved the use of New Money Bond proceeds to construct and improve local schools and student support facilities, improve student access to computers and classroom technology, build vocational technical classrooms, provide improvements to better maintain schools and provide renewable energy improvements to reduce annual operating costs. The net proceeds of the New Money Bonds will also be used to pay certain costs of issuance of the New Money Bonds.

PLAN OF REFUNDING

Proceeds of the Refunding Bonds will be used to fund an escrow fund (the "Escrow Fund") established pursuant to an Escrow Agreement by and between the District and U.S. Bank National Association as the escrow agent (the "Escrow Agent"), for the purpose of paying principal, interest and redemption price on the 2004 Bonds maturing on August 1, 20__ through August 1, 20__ (the "Prior Bonds") (the "Escrow Agreement").

The Escrow Fund will be held by the Escrow Agent and amounts in the Escrow Fund will be held in cash or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) 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 "Code") and applicable regulations promulgated thereunder 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 Refunding Bonds. The Escrow Agreement will irrevocably direct the Escrow Agent to pay interest on the Prior Bonds as such amounts become due and payable prior to August 1, 2014 (the "Redemption Date"), and to redeem the Prior Bonds maturing after such date at the redemption price of 100% of the principal amount of such Prior Bonds, without premium, plus all interest payments due to and including the Redemption Date, including all interest accrued but not yet paid, if any. A portion of the proceeds of the Refunding Bonds will be used to pay certain costs of issuance of the Refunding Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	New Money Bonds	Refunding Bonds
Bond Proceeds	\$ _____	\$ _____
Original Issue Premium/Discount	_____	_____
Total Sources:	\$ _____	\$ _____
Uses:		
Deposit to Building Fund	\$ _____	\$ --
Deposit to Debt Service Fund	_____	_____
Deposit to Escrow Fund	--	_____
Costs of Issuance Fund ⁽¹⁾	_____	_____
Total Uses:	\$ _____	\$ _____

⁽¹⁾ Includes Underwriter's discount, fees and disbursements of legal counsel, fees and disbursements of the Financial Advisor, the Paying Agent, the Escrow Agent, the Verification Agent, costs of the insurance policy, if any, and a portion of the other costs incurred in connection with issuance and delivery of the Bonds.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The District received authorization to issue \$52,000,000 of its general obligation bonds at an election held on November 2, 2010, by more than fifty-five percent of the votes cast by eligible voters within the District. The New Money Bonds are being issued by the District under the New Money Act and other applicable laws and regulations of the State, and pursuant to the New Money Resolution and the Authorization. The New Money Bonds represent the second series of bonds issued under the Authorization, following which \$_____ of the Authorization will remain. The Refunding Bonds are being issued by the District under the Refunding Act and other applicable laws and regulations of the State, and pursuant to the Refunding Resolution.

All general obligation bonds issued by the District are issued on a parity with one another, and hence, with the Bonds offered hereunder. The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal and Maturity Amount (defined below) of and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof; the Capital Appreciation Bonds will be issued in initial amounts ("Denominational Amounts") corresponding to \$5,000 accreted value at maturity ("Maturity Amount") or any integral multiple thereof; and the Convertible Capital Appreciation Bonds will be issued in Denominational Amounts corresponding to \$5,000 accreted value at the date the Convertible Capital Appreciation Bond converts to a current interest bond (the "Conversion Date") ("Conversion Value"); will mature on the dates and in the amounts and bear or accrete interest at the rates per annum all as set forth on the inside cover pages of this Official Statement.

* Preliminary; subject to change.

Interest on the Current Interest Bonds will be payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2014, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is a day during the period from the sixteenth day of the month next preceding any Interest Payment Date to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or prior to January 15, 2014, in which event it shall bear interest from the delivery date of the Bonds, provided, however, that if as of the date of authentication of any Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Capital Appreciation Bonds will not bear current interest, but will accrete in value from their Denominational Amounts to their respective Maturity Amounts on their respective maturity dates on the basis of a constant interest rate (with straight line interpolations between compounding interest dates) compounded commencing February 1, 2014, and semiannually thereafter on February 1 and August 1 in each year and shall be payable only upon maturity. The Maturity Amount of the Capital Appreciation Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Attached as APPENDIX G is a table of accreted values for the Capital Appreciation Bonds that have been computed as of each February 1 and August 1 per \$5,000 of Maturity Amount, based upon the accretion rates of such Bonds as set forth on the inside cover pages hereto and upon the nominal interest rates of the Capital Appreciation Bonds. See APPENDIX G – "ACCRETED VALUES TABLE." The Capital Appreciation Bonds mature on August 1 in the years and amounts set forth on the inside cover pages hereto.

Prior to the applicable Conversion Date set forth on the inside cover hereof, the Convertible Capital Appreciation Bonds will not pay current interest but will accrete in value from their initial principal amount on the date of delivery thereof to the Conversion Date. Prior to the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing February 1, 2014. No payment of interest will be made to the registered owners of Convertible Capital Appreciation Bonds prior to or on the Conversion Date. From and after the applicable Conversion Date, the Convertible Capital Appreciation Bonds will pay current interest, such interest to accrue based upon the Conversion Value of the Convertible Capital Appreciation Bonds. Following the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be payable semiannually on each February 1 and August 1, commencing on the first February 1 or August 1 occurring after the applicable Conversion Date. Interest will accrue and be compounded on the basis of a 360-day year comprised of twelve 30-day months.

Unless otherwise provided herein, the descriptions herein of Capital Appreciation Bonds apply to Convertible Capital Appreciation Bonds prior to the Conversion Date, and descriptions herein of Current Interest Bonds apply to Convertible Capital Appreciation Bonds from and after the Conversion Date.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined in APPENDIX E hereto) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, principal amount or Maturity Amount of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by U.S. Bank National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to its participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "Book-Entry Only System" herein.

Redemption*

Optional Redemption of the New Money Bonds. The New Money Current Interest Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their fixed maturity dates. The New Money Current Interest Bonds maturing on and after August 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 20__, as a whole or in part, at a redemption price equal to the principal amount of the New Money Current Interest Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their fixed maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 20__, as a whole or in part, at a redemption price equal to the 100% of the Accreted Value of the Capital Appreciation Bonds called for redemption at the date fixed for redemption.

The Convertible Capital Appreciation Bonds are subject to redemption at the option of the District, as a whole or in part in the manner direct by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the Accreted Value if prior to conversion or Conversion Value if on or after the Conversion Date thereof, together with accrued interest to the date of redemption, without premium.

Optional Redemption of the Refunding Bonds. The Refunding Bonds are subject to redemption at the option of the District, as a whole or in part in the manner directed by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of New Money Bonds. The New Money Current Interest Bonds maturing on August 1, 20__ are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such New Money Current Interest Bonds to be redeemed and the dates therefor shall be as follows:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
_____	_____

⁽¹⁾ Maturity.

* Preliminary; subject to change.

The Convertible Capital Appreciation Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Convertible Capital Appreciation Bonds to be so redeemed and the dates therefor shall be as follows:

Redemption Dates (August 1)	<u>Conversion Value</u>
--------------------------------	-------------------------

*

* Final Maturity

The principal amount of New Money Bonds to be redeemed in each year shown (the "New Money Term Bonds") above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the New Money Term Bonds optionally redeemed prior to the mandatory sinking fund payment date.

Mandatory Sinking Fund Redemption of Refunding Bonds. The Refunding Bonds maturing on August 1, 20__ (the "Refunding Term Bonds") are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such Refunding Bonds to be redeemed and the dates therefor shall be as follows:

Redemption Dates (August 1)	<u>Principal Amount</u>
--------------------------------	-------------------------

*

* Final Maturity

The principal amount of Refunding Term Bonds to be redeemed in each year shown above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the Refunding Term Bonds optionally redeemed prior to the mandatory sinking fund payment date.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds of a series and less than all outstanding Bonds of that series are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such manner as the District shall direct. Within a maturity, the Paying Agent shall select Bonds of that series for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, *however*, that the portion of any Bond to be redeemed in part shall be in the principal amount or Maturity 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 given at least 60 days prior to the date designated for such redemption, shall give notice (each, "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest or accretion rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (A) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed (i) the redemption price, together with the interest accrued to the redemption date in the case of Current Interest Bonds or Convertible Capital Appreciation Bonds after the Conversion Date, (ii) the Accreted Value in the case of Capital Appreciation Bonds, or (iii) the Conversion Value in the case of Convertible Capital Appreciation Bonds before the Conversion Date, and (b) that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The Paying Agent shall take the following actions with respect to each Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to the Securities Depository; (iii) in the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the Municipal Securities Rulemaking Board ("MSRB").

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

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the 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 Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

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

Transfer and Exchange

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

No transfer or exchange of any Bond shall be required during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the 15th day next preceding a date for which such Bond has been selected for redemption in whole or in part.

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Debt Service Schedule

The following table summarizes the debt service requirements of the District for all its outstanding general obligation bonds and the Bonds:

Year Ending (August 1)	Outstanding General Obligation Bonds ⁽¹⁾	The Bonds					Aggregate Debt Service
		New Money Bonds Principal / Maturity Value	New Money Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest		
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
Total							

⁽¹⁾ Represents all outstanding general obligation bonds of the District.

Discharge and Defeasance

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

- (a) by paying or causing to be paid the principal, premium, if any, and interest or the Maturity Value on all Bonds Outstanding, 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 the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent that meets the requirements of serving as successor Paying Agent pursuant to such Resolution selected by the District, 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 Code and 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 Bonds, in such amount as will, together with the interest to accrue thereon 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 Bonds outstanding and designated for defeasance at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

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

Book-Entry Only System

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District only and are not obligations of the County, the State or any of its other political subdivisions. 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 County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of principal of interest on the Bonds. All general obligation bonds issued by or on behalf of the District are issued on a parity with one another.

***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. 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 with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. 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.

The County levies and collects all property taxes for property falling within its taxing boundaries.

The Teeter Plan

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds comprising Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (the "Teeter Plan"). Under the Teeter Plan, local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

Unitary Taxation for Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction. In each county there is one county-wide tax rate area with the assessed value of all unitary and operating non-unitary property being assigned to this tax rate area. The

result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions.

Assessed Valuation

California law exempts from taxation \$7,000 of the assessed valuation of an owner-occupied dwelling. State law also exempts 100 percent of the value of business inventories from taxation. State law provides for reimbursements to local agencies based on their share of the revenues derived from the application of the maximum tax rate applied to business inventories, with adjustments to reflect increases in population and the consumer price index.

Revenue estimates to be lost to local taxing agencies due to such exemptions is reimbursed from State sources. Such reimbursements are based upon total taxes due upon such exempt values and are not reduced by any amount for estimated delinquencies.

The District's fiscal year 2013-14 total assessed valuation is \$3,887,030,167. The summary on the following page shows a six-year history of the total secured and unsecured assessed property valuations of property within the District. The fiscal year 2013-14 total assessed valuation is 3.09% higher than the fiscal year 2012-13 total assessed valuation indicated in the following summary.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Assessed Valuation
2008-09 Through 2013-14**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$3,577,803,768	\$1,217,834	\$179,524,718	\$3,758,546,320
2009-10	3,482,818,537	1,144,286	190,807,545	3,674,770,368
2010-11	3,447,651,454	1,237,826	186,416,063	3,635,305,343
2011-12	3,526,145,312	1,237,826	174,397,676	3,701,780,814
2012-13	3,597,695,737	1,237,826	171,615,782	3,770,549,345
2013-14	3,729,580,008	1,169,541	156,280,618	3,887,030,167

Source: California Municipal Statistics, Inc.

**EL RANCHO UNIFIED SCHOOL DISTRICT
2013-14 Assessed Valuation and Parcels by Land Use**

	2013-14 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	\$ 507,732,491	13.61%	369	2.63%
Vacant Commercial	840,852	0.02	9	0.06
Industrial	547,674,828	14.68	237	1.69
Vacant Industrial	15,092,965	0.40	73	0.52
Recreational	3,208,533	0.09	8	0.06
Government/Social/Institutional	<u>9,996,784</u>	<u>0.27</u>	<u>177</u>	<u>1.26</u>
Subtotal Non-Residential	\$1,084,546,453	29.08%	873	6.21%
Residential:				
Single Family Residence	\$2,271,088,643	60.89%	11,991	85.33%
Condominium/Townhouse	99,019,900	2.65	484	3.44
Mobile Home Park	8,209,553	0.22	11	0.08
2-4 Residential Units	85,821,469	2.30	315	2.24
5+ Residential Units/Apartments	159,466,332	4.28	83	0.59
Vacant Residential	<u>21,427,658</u>	<u>0.57</u>	<u>296</u>	<u>2.11</u>
Subtotal Residential	\$2,645,033,555	70.92%	13,180	93.79%
Total	\$3,729,580,008	100.00%	14,053	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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EL RANCHO UNIFIED SCHOOL DISTRICT
Per Parcel 2013-14 Assessed Valuation of Single-Family Homes

		No. of <u>Parcels</u>	2013-14 <u>Assessed Valuation</u>		Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential		11,991	\$2,271,088,643		\$189,399	\$202,530
<u>2013-14 Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	9	0.075%	0.075%	\$ 191,506	0.008%	0.008%
\$25,000 - \$49,999	1,129	9.415	9.490	51,059,083	2.248	2.257
\$50,000 - \$74,999	1,644	13.710	23.201	98,399,078	4.333	6.589
\$75,000 - \$99,999	615	5.129	28.330	53,107,682	2.338	8.928
\$100,000 - \$124,999	503	4.195	32.524	56,666,144	2.495	11.423
\$125,000 - \$149,999	512	4.270	36.794	70,430,866	3.101	14.524
\$150,000 - \$174,999	592	4.937	41.731	96,607,093	4.254	18.778
\$175,000 - \$199,999	876	7.305	49.037	165,141,963	7.271	26.049
\$200,000 - \$224,999	1,076	8.973	58.010	228,557,577	10.064	36.113
\$225,000 - \$249,999	1,139	9.499	67.509	270,483,002	11.910	48.023
\$250,000 - \$274,999	1,165	9.716	77.225	305,719,523	13.461	61.484
\$275,000 - \$299,999	1,044	8.707	85.931	299,146,150	13.172	74.656
\$300,000 - \$324,999	822	6.855	92.786	255,731,083	11.260	85.917
\$325,000 - \$349,999	411	3.428	96.214	137,902,948	6.072	91.989
\$350,000 - \$374,999	199	1.660	97.873	71,837,862	3.163	95.152
\$375,000 - \$399,999	85	0.709	98.582	32,793,198	1.444	96.596
\$400,000 - \$424,999	59	0.492	99.074	24,283,891	1.069	97.665
\$425,000 - \$449,999	40	0.334	99.408	17,420,582	0.767	98.432
\$450,000 - \$474,999	26	0.217	99.625	11,983,901	0.528	98.960
\$475,000 - \$499,999	20	0.167	99.792	9,672,411	0.426	99.386
\$500,000 and greater	25	<u>0.208</u>	100.000	<u>13,953,100</u>	<u>0.614</u>	100.000
Total	11,991	100.000%		\$2,271,088,643	100.000%	

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

Limitations on Remedies

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

State law limits the filing of bankruptcy proceedings by school districts, such as the District, to specified circumstances. The District believes that the State Superintendent of Schools would have to

Item 17.4 H

appoint an administrator for the District and the administrator would determine whether or not the District should file for bankruptcy relief. The District can provide no assurance, however, that a bankruptcy court would agree with the District's interpretation of the law.

If the District were to become a debtor in a bankruptcy case, it would be a debtor under Chapter 9 of the Bankruptcy Code.

If the *ad valorem* tax revenues that fund the Bonds are "special revenues" under Chapter 9, then *ad valorem* revenues collected after the date of the bankruptcy filing should be subject to the lien of the Bonds (subject to the risks of commingling discussed below). The District believes that the *ad valorem* taxes are special revenues, but the District can give no assurance that a bankruptcy court will agree with the District's interpretation of the law. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. It is possible that a bankruptcy court would conclude that the *ad valorem* tax is a general property tax levied to finance the general purposes of the District, and thus that the *ad valorem* tax revenues are not special revenues.

Chapter 9 also provides that a Chapter 9 petition does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that the *ad valorem* taxes must be used to pay principal and interest on the Bonds. The District believes that this law would be respected in any bankruptcy proceeding, so that the *ad valorem* tax revenues could not be used by the District for any purpose other than to make payments on the Bonds. However, there are very few court decisions as to the precise meaning of this provision of Chapter 9, so no assurance can be given that a bankruptcy court would not conclude otherwise.

If it were to be determined that the *ad valorem* tax revenues are not special revenues, then the lien of the Bonds likely will not attach to any *ad valorem* tax revenues collected after the date of the bankruptcy filing. If it is also determined that the *ad valorem* tax revenues can be used for other purposes, then it is not clear whether the Owners of the Bonds would be treated as general unsecured creditors of the District or whether the Owners of the Bonds would have no further claim against any assets of the District. Under any circumstance, the bankruptcy court may determine that the District is entitled to use *ad valorem* tax revenues to pay the necessary operating expenses of the District and its schools prior to paying debt service on the Bonds, regardless of the provisions of the Resolution.

If the District is in a Chapter 9 bankruptcy proceeding, parties may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, unless the bankruptcy court grants permission to take such action. This prohibition may also prevent the Paying Agent from making payments to the Owners of the Bonds from funds in the Paying Agent's possession. Though the Treasurer has agreed that it will pay the *ad valorem* tax revenues directly to the Paying Agent, so that the District never receives them, it is not clear whether this arrangement is enforceable in bankruptcy or whether the District will instead be able to require that *ad valorem* tax revenues be paid directly to it by the Treasurer.

In the event of a District bankruptcy filing, the District may be able to borrow additional money that is secured by a lien on any of its property (including the *ad valorem* tax revenues), which lien could have priority over the lien of the Bonds, as long as the bankruptcy court determines that the rights of the Owners of the Bonds will be adequately protected. The District may also be able to cause some of the *ad valorem* tax revenues to be released to it, free and clear of lien of the Bonds, as long as the bankruptcy court determines that the rights of the Owners of the Bonds will be adequately protected.

The District may be able, without the consent and over the objection of the Paying Agent and the Owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Resolution and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted (see APPENDIX A – “PENSION PLANS”), the District is informed that the State Teachers’ Retirement System (“STRS”) has unfunded liabilities. In a bankruptcy of the District, the amounts of current and, if any, accrued (unpaid) contributions owed to STRS, the California Public Employees’ Retirement System (“CalPERS”) or any other pension system (collectively the “Pension Systems”), as well as future material increases in required contributions, could create additional uncertainty as to the District’s ability to pay debt service on the Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State of California and have the right to enforce payment by injunction or other proceedings outside of a District bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of the District would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding of the District, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

Commingling Risks

The Treasurer may commingle *ad valorem* tax revenues that it receives on behalf of the District with other funds, before it turns over the *ad valorem* tax revenues to the Paying Agent. As a result, the Paying Agent and the Owners of the Bonds may not have a lien on such commingled *ad valorem* tax revenues and the Treasurer may fail, or be unable, to turn over to the Paying Agent any *ad valorem* tax revenues that are in its possession and have been commingled with other moneys. *Ad valorem* tax revenues that have been commingled with other moneys may no longer be subject to the State law that requires *ad valorem* tax revenues to be used by the District to pay principal and interest on the Bonds. Under any of such circumstances, there could be delays or reductions in payments on the Bonds.

Tax Levies and Delinquencies

Taxes will be collected by the County Treasurer and Tax Collector for property falling within the District’s taxing boundaries. Taxes and assessments on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable on March 1 and become delinquent the following August 31. The following table lists the secured tax charges and delinquencies for the District for fiscal years 2007-08 through 2012-13.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$6,995,814.29	\$347,205.44	4.96%
2008-09	7,361,548.47	342,588.08	4.65
2009-10	7,187,930.46	244,670.98	3.40
2010-11	7,143,498.62	170,069.15	2.38
2011-12	7,305,161.23	151,203.56	2.07
2012-13	7,477,889.81	133,406.10	1.78

	<u>Secured Tax Charge⁽²⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$2,701,714.97	\$195,542.61	7.24%
2008-09	2,880,201.71	167,401.49	5.81
2009-10	2,912,634.75	87,279.28	3.00
2010-11	3,122,510.55	63,317.66	2.03
2011-12	3,445,063.96	58,327.14	1.69
2012-13	3,554,799.81	45,139.82	1.27

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds.

⁽²⁾ Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Tax Rates

The table below sets forth typical tax rates levied in Tax Rate Area 7978 from fiscal year 2008-09 to fiscal year 2013-14.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates Per \$100 of Assessed Valuation (TRA 7978)⁽¹⁾**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
El Rancho Unified School District	.081074	.085270	.091605	.097996	.099851	.095708
Rio Hondo Community College Dist.	.023197	.027144	.034387	.034180	.028122	.028917
Metropolitan Water District	<u>.004300</u>	<u>.004300</u>	<u>.003700</u>	<u>.003700</u>	<u>.003500</u>	<u>.003500</u>
Total Tax Rate	1.108571	1.116714	1.129692	1.135876	1.131473	1.128125

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest taxpayers in the District as shown on the 2013-14 secured tax roll and the approximate amounts of their aggregate level for all taxing jurisdictions within the District are shown below. These twenty largest taxpayers have a 2013-14 local secured assessed valuation of \$3,729,580,008, or 13.41% of the District's 2013-14 local secured assessed valuation.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Largest 2013-14 Local Secured Taxpayers**

	<u>2013-14</u>	<u>% of</u>	<u>Total⁽¹⁾</u>
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	
1. Vestar California XXVI LLC	Shopping Center	\$ 68,889,447	1.85%
2. Majestic AMB Pico Rivera Associates LLC	Industrial	41,785,092	1.12
3. Wal-Mart Real Estate Business Trust	Shopping Center	30,406,973	0.82
4. Princeton Medical Holdings	Shopping Center	28,442,000	0.76
5. General American Life Insurance Company	Industrial	27,664,017	0.74
6. GGF Pico Rivera LLC	Shopping Center	26,707,159	0.72
7. Bakemark USA LLC	Industrial	25,829,328	0.69
8. Showprop Pico Rivera LLC	Shopping Center	25,317,364	0.68
9. Public Storage Inc.	Industrial	21,734,943	0.58
10. TRF Crossroads LLC	Shopping Center	21,621,272	0.58
11. Guardian Life Insurance Company of America	Industrial	21,103,230	0.57
12. Shade Family Properties Inc.	Shopping Center	20,640,684	0.55
13. Dav C. Bacara LLC	Apartments	20,616,387	0.55
14. Rex Road LLC	Industrial	20,320,820	0.54
15. Target Corporation	Commercial	20,145,308	0.54
16. Rosemead Place LLC	Apartments	18,147,847	0.49
17. Iron Mountain Information Management LLC	Industrial	16,600,000	0.45
18. Howards Appliances Inc.	Industrial	15,424,956	0.41
19. Lowes HIW Inc.	Shopping Center	14,359,057	0.39
20. Stealth Holdings LLC	Industrial	14,238,425	0.38
		<u>\$499,994,309</u>	<u>13.41%</u>

⁽¹⁾ 2012-13 Local Secured Assessed Valuation: \$3,729,580,008.
Source: California Municipal Statistics, Inc.

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Certain Existing Obligations

A schedule of the District's outstanding long-term debt for the year ended June 30, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance July 1, 2012	Due in One Year
General obligation bonds	\$ 66,421,091	\$ 1,969,473	\$ 1,885,000	\$ 66,505,564	\$ 2,145,000
Premium on issuance	2,271,911	-	116,243	2,155,668	-
Capital leases	115,555	-	56,826	58,729	58,729
Child care facilities revolving fund	317,934	-	90,000	227,934	90,000
CalSTRS Golden Handshake	350,245	-	350,245	-	-
Claims liability	414,963	1,292,479	1,076,308	1,076,308	631,134
Accumulated vacation - net	1,254,332	-	127,916	127,916	-
Other postemployment benefits	1,544,910	-	1,124,421	2,486,017	-
Total	\$ 72,690,941	\$ 5,327,480	\$ 4,826,959	\$ 73,191,462	\$ 2,924,863

Source: The District.

Direct and Overlapping Bonded Debt

The following table is a statement of the District's direct and estimated overlapping bonded debt as of 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 representation 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 in whole or in part. 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.

Column 1 in the table names each public agency which 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.

**EL RANCHO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2013-14 Assessed Valuation: \$3,887,030,167

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 10/1/13</u>
Los Angeles County Flood Control District	0.347%	\$ 68,602
Metropolitan Water District	0.180	297,153
Rio Hondo Community College District	12.873	21,125,006
El Rancho Unified School District	100.	53,464,867⁽²⁾
Los Angeles County Regional Park and Open Space Assessment District	0.346	393,108
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$75,348,736
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.346%	\$ 5,888,663
Los Angeles County Superintendent of Schools Certificates of Participation	0.346	32,973
City of Montebello General Fund Obligations	0.003	1,100
City of Pico Rivera General Fund Obligations	95.902	30,415,319
Los Angeles County Sanitation District No. 2 Authority	7.855	1,707,786
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$38,045,841
Less: Los Angeles County General Fund Obligations supported by landfill revenues		19,002
City of Montebello supported obligations		576
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$38,026,263
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$31,783,628
 GROSS COMBINED TOTAL DEBT		 \$145,178,205 ⁽³⁾
NET COMBINED TOTAL DEBT		\$145,158,627

⁽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 (\$53,464,867)	1.38%
Total Direct and Overlapping Tax and Assessment Debt.....	1.94%
Gross Combined Total Debt.....	3.73%
Net Combined Total Debt	3.73%

Ratios to Redevelopment Incremental Valuation (\$808,618,729):

Total Overlapping Tax Increment Debt.....	3.93%
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Source: California Municipal Statistics, Inc.

BOND INSURANCE

The District may obtain a municipal bond insurance policy which, if obtained, would insure the scheduled payment of principal of and interest on the Bonds when due. The District's decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Bonds.

**CONSTITUTIONAL AND STATUTORY PROVISIONS
AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

The primary source of revenue for the payment of the Bonds will be *ad valorem* tax levies. Accordingly, the following information concerning the funding of District operations, and its General Fund and budgets, is provided for background only. See APPENDIX A – “FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – State Funding of Education” attached hereto.

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

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

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

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

Article XIII B of the California Constitution. In 1979, an initiative added Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B, the State and each local governmental entity has an annual “appropriations limit” and is not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations

of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a

unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 1A. Proposition 1A (SCA 4) ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

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

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

its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

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

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

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

COUNTY INVESTMENT POOL

The Treasurer and Tax Collector (the "Treasurer") of the County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of July 31, 2013, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Board of Supervisors of the County on an annual basis.

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

For a further discussion of the Treasury Pool, see APPENDIX F – "THE LOS ANGELES COUNTY TREASURY POOL" herein. *Neither the District nor its advisors have made an independent investigation of the investments in the Treasury Pool and neither has made an assessment or investigation of the current County Investment Policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates*

and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Current Interest Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In addition, Bond Counsel is of the opinion that the excess of Accreted Value of any Capital Appreciation Bond over the initial principal amount thereof, to the extent that such excess represents interest properly allocated to the Owner of such Capital Appreciation Bond (the "Excess Accreted Value"), is excluded from gross income for federal income tax purposes. Unless otherwise provided herein, the descriptions herein of Capital Appreciation Bonds apply to Convertible Capital Appreciation Bonds prior to the Conversion Date, and descriptions herein of Current Interest Bonds apply to Convertible Capital Appreciation Bonds from and after the Conversion Date. Bond Counsel is also of the opinion that such interest on and Excess Accreted Value with respect to the Bonds are not treated as preference items in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on and Excess Accreted Value with respect to the Bonds are, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The increases in Accreted Value with respect to Capital Appreciation Bonds are includable in adjusted current earnings as they accrue semiannually rather than at the time such Accreted Value is actually paid to and received by the Owners of the Capital Appreciation Bonds. Increases in Accreted Value occur each semiannual period in the amount of interest which accrued semiannually during such period on the Accreted Value as of the beginning of such period. An Owner's adjusted basis in a Capital Appreciation Bond, used to determine the amount of gain or loss on disposition of such Capital Appreciation Bond, will be equal to the Accreted Value as of the date of calculation.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on and Excess Accreted Value with respect to the Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

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

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the New Money Bonds maturing August 1, ____ through August 1, _____, inclusive and on August 1, _____, and the Refunding Bonds maturing August 1, _____ through August 1, _____, inclusive and on August 1, _____ (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The New Money Bonds maturing on August 1, ____ through August 1, _____, inclusive and the Refunding Bonds maturing on August 1, _____ through August 1, _____, inclusive (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Bonds

may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

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

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

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on and Excess Accreted Value with respect to the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012 and in 2013, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on or Excess Accreted Value with respect to the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon or Excess Accreted Value with respect thereto, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

LEGAL OPINION

The legal opinion of Bond Counsel attesting to the validity of the Bonds will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds, and undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

LEGALITY FOR INVESTMENT

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

RATING

Standard & Poor's Ratings Service, a Standard and Poor's LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. Such rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained as follows: S&P's at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is 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 agencies, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto.

Previously, the District failed to file certain notices of material events with respect to certain ratings changes in connection with the downgrade of the bond insurance providers of its outstanding bonds. In addition, the District previously failed to timely file its annual reports for fiscal years 2007-08, 2008-09 and 2011-12, and failed to include certain required information in its annual reports, which information was required in order for the District to be in compliance with certain previous undertakings with regards to the Rule. The District remedied these issues on or before [_____], and the District believes it has now made current all filings required during the last five years.

UNDERWRITING

George K. Baum & Company, as Underwriter (the "Underwriter"), has agreed to purchase the New Money Bonds from the District at the purchase price of \$_____ (being the initial principal issue amount of the New Money Bonds, plus [net] original issue premium/discount of \$_____, less amounts to be used to pay certain costs of issuance of \$_____, and less Underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof. The Contract of Purchase between the Underwriter and the District (the "New Money Contract of Purchase") for the New Money Bonds requires that the Underwriter will purchase all of the New Money Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the New Money Contract of Purchase.

The Underwriter has agreed to purchase the Refunding Bonds from the District at the purchase price of \$_____ (being the initial principal issue amount of the Refunding Bonds, plus [net] original issue premium/discount of \$_____, less amounts to be used to pay certain costs of issuance of \$_____, and less Underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof. The Contract of Purchase between the Underwriter and the District (the "Refunding Contract of Purchase") for the Refunding Bonds requires that the Underwriter will purchase all of the Refunding Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Refunding Contract of Purchase.

Item 17.4 H

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover pages of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover pages of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Caldwell Flores Winters, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive ad valorem taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Superintendent, El Rancho Unified School District, 9333 Loch Lomond Drive, Pico Rivera, California 90660.

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

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

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

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

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the El Rancho Unified School District (the "District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem tax revenues collected by the County of Los Angeles (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the interest and sinking fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the "State") or any of its other political subdivisions or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

THE DISTRICT**District General Information**

The District was established as a unified school district in 1963 and is comprised of an area of approximately eleven square miles located in the City of Pico Rivera in Los Angeles County. The District serves students in grades kindergarten through twelve. The District currently maintains nine elementary schools, three junior high schools, one high school, one continuation school and one adult school. The student to teacher ratio in kindergarten is 27:1, grades 1-3 is 25:1, grades 4-5 is 30:1, grades 6-8 is 27:1, and grades 9-12 is 28:1. The District's projected average daily attendance for fiscal year 2013-14 is approximately 9,217 and the District has a fiscal year 2013-14 assessed valuation of \$3,887,030,167.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Superintendent, El Rancho Unified School District, 9333 Loch Lomond Drive, Pico Rivera, California 90660.

District Organization

The District is governed by a Board of Education (the "Board") consisting of five members. The terms are staggered at two-year intervals to provide continuity of governance. Vacancies during terms are filled by an individual appointed by a majority of the remaining Board members or, if there is no majority, by a special election. Members appointed by a majority of the Board serve until the next scheduled election, at which time the voters elect a person to serve the remaining years of the term.

Current members of the Board, together with their offices and the dates their terms expire, are listed below:

**EL RANCHO UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Delia Alvidrez	President	December 2015
Rita Jo Ramirez	Vice President	December 2013
Rachel Canchola	Clerk	December 2013
Alfred Renteria, Jr.	Member	December 2015
Dr. Joseph Rivera	Member	December 2013

Key Personnel

The following is a listing of the key administrative personnel of the District:

<u>Name</u>	<u>Title</u>
Martin Galindo	Superintendent
Leticia Covarrubias	Chief Business Officer

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board.

Brief biographies of the Superintendent and the Chief Business Officer follow:

Martin Galindo, *Superintendent* – Mr. Galindo brings 31 years of experience and learning to the District. He began his career in 1981 as a bilingual teacher in the Los Angeles Unified School District (“LAUSD”). He was an assistant principal for two years and served as a principal for ten years at two different schools. He was an Operations Administrator for two years serving over 150 schools. For six years, he supervised various high school complexes in the southeast area of LAUSD. In 2006, he was selected as the Superintendent of Local District 6 serving 63,000 students in the southeast cities of Bell, Cudahy, Huntington Park, Maywood, South Gate and Vernon. He was unanimously selected as the superintendent of the Bassett Unified School District from 2010-2013. He was unanimously selected as the Superintendent of the El Rancho Unified School District beginning July 1, 2013. Martin Galindo was born and raised in Pico Rivera and is excited to return home to his roots. He has been happily married for 29 years to his wife Diane who is a special education teacher and has four amazing children.

Leticia Covarrubias, *Chief Business Officer* – Mrs. Covarrubias was hired by the District in June 2013 to manage the fiscal, facilities & maintenance, food services, purchasing and technology departments. Her fiscal management career started in the non-profit sector working for the YMCA for several years as Fiscal Administrator and two years as Business Manager with a non-profit catholic organization. In 2004 she began her career with the public education sector as Director of Business at Tri-Cities ROP and in 2008 she accepted a position as Assistant Superintendent, Business Services at La Puente Valley ROP. Mrs. Covarrubias has been managing budgets and has extensive experience as a high-level reporting fiscal manager for eighteen years. She received her Bachelors of Science Degree from California State University, Los Angeles.

District Employees

As of July 1, 2013, the District employed 542 full-time equivalent certificated academic professionals as well as 216 full-time equivalent classified employees. In addition, as of such date, the District employed 135 part-time employees.

The certificated employees of the District have assigned the American Federation of Teachers (“AFT”) as their exclusive bargaining agent. The certificated employees’ contract with AFT expires on June 30, 2014.

The classified employees have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent, and the contract with CSEA expires on June 30, 2014.

As of June 30, 2012, accumulated unpaid employee vacation benefits amounted to \$1,254,332.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Certificated Employees and Classified Employees**

<u>Fiscal Year</u>	<u>Certificated Employees</u>	<u>Classified Employees</u>
2007-08	610	519
2008-09	576	517
2009-10	570	524
2010-11	544	523
2011-12	499	327
2012-13	536	351
	<i>Projected</i>	<i>Projected</i>
2013-14	526	351
2014-15	526	349

Source: The District.

Average Daily Attendance and Base Revenue Limit

Between fiscal years 2008-09 and 2012-13, the District’s average daily attendance (“ADA”) decreased by approximately 9%. The District expects ADA to continue to decline by 3% annually. The ADA and Base Revenue Limit for these years, as well as projections for fiscal years 2012-2013 through 2013-14 are set forth below:

**EL RANCHO UNIFIED SCHOOL DISTRICT
Average Daily Attendance**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Base Revenue Limit</u>
2008-09	10,569	\$60,692,952
2009-10	10,063	62,481,334
2010-11	9,810	62,520,107
2011-12	9,954	64,777,710
2012-13	9,610	64,666,930
	<i>Projected</i>	<i>Projected</i>
2013-14	9,219	63,041,656
2014-15	9,065	63,380,834

Source: El Rancho Unified School District.

Developer Fees

The District collects developer fees pursuant to the State Government Code Section 65995, which originally allowed collection of \$1.50 per square foot of habitable space on domestic housing and \$0.25 per square foot on commercial/industrial developments. These square-foot amounts are periodically adjusted for inflation. Developer fees imposed by the District are neither pledged nor available to pay the Bonds.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Developer Fees Collected
From Fiscal Year 2007-08 through 2011-12**

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2007-08	\$246,973
2008-09	59,733
2009-10	26,273
2010-11	59,540
2011-12	25,569
<i>Projected</i>	<i>Projected</i>
2012-13	52,171
2013-14	28,546

Source: The District

Insurance

The District carries property insurance from SoCal ReLiEF for all claims over \$5,000 up to \$250,000. It also has coverage through Schools Association For Excess Risk (“SAFER”) for claims over \$250,000 up to \$249,750,000. Liability insurance for all claims over \$25,000 and up to \$1,000,000 is processed through So Cal ReLiEF. SAFER provides liability insurance for all claims in excess of \$1,000,000 up to \$4,000,000. Equipment breakdown insurance is provided by Hartford Steam Boiler up to \$100,000,000 while Crime insurance is provided through The Fidelity Deposit Company of Maryland for up to \$5,000,000.

The District is a member of the Whittier Area Schools Insurance Authority (“WASIA”) Joint Powers Authority for Worker’s Compensation insurance. York Insurance Services Group, Inc. administers the plan for WASIA.

Pension Plans

The District participates in the State Teachers’ Retirement System (“STRS”). This plan basically covers all full-time certificated employees. The District’s employer contribution to STRS was \$3,311,360 for fiscal year 2010-11, was \$3,317,721 for fiscal year 2011-12 and was estimated to be \$3,081,933 for fiscal year 2012-13.

The District also participates in the State Public Employees’ Retirement System (“CalPERS”). This plan covers all classified personnel who are employed four or more hours per day. The District’s employer contribution to CalPERS was \$1,428,658 for fiscal year 2010-11, was \$1,366,073 for fiscal year 2011-12 and was estimated to be \$1,374,668 for fiscal year 2012-13.

Item 17.4 H

The District's unaudited retirement contributions for the fiscal year ended June 30, 2012 are as follows:

EL RANCHO UNIFIED SCHOOL DISTRICT Unaudited Retirement Contributions for Fiscal Year 2011-2012

<u>Plan</u>	<u>Number of Employees Covered</u>	<u>Total Employer Contributions</u>	<u>District's Covered Payroll</u>	<u>Employer contributions as a % of Covered Payroll</u>
STRS	499	\$3,311,360	\$40,737,640	8.250%
PERS	327	1,366,073	15,557,114	10.923

Source: The District.

The District's budgeted retirement contributions for the fiscal year ending June 30, 2013 are as follows:

EL RANCHO UNIFIED SCHOOL DISTRICT Budgeted Retirement Contributions Estimated for Fiscal Year 2012-13

<u>Plan</u>	<u>Number of Employees Covered</u>	<u>Total Employer Contributions</u>	<u>District's Covered Payroll</u>	<u>Employer contributions as a % of Covered Payroll</u>
STRS	526	\$3,081,933	\$37,810,681	8.250%
PERS	351	1,374,668	13,917,310	11.417

Source: The District.

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

State Pension Trusts

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

The assets and liabilities of the funds administered by CalPERS and STRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2012, 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**

[TO BE UPDATED]

<u>Name of Plan</u>	<u>Excess of Actuarial Value of Assets Over Actuarial Accrued Liabilities (Unfunded Actuarial Accrued Liability)</u>
Public Employees' Retirement Fund (CalPERS) ⁽¹⁾	\$(57.18) billion ⁽²⁾
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽³⁾	\$(63.84) billion ⁽²⁾

⁽¹⁾ As of June 30, 2012, the CalPERS provided pension benefits to 1,102,440 active and inactive program members and 551,627 retirees, beneficiaries, and survivors.

⁽²⁾ Figure as of June 30, 2011.

⁽³⁾ As of June 30, 2012, the STRS Defined Benefit Program had approximately 603,319 active and inactive program members and 253,041 retirees and benefit recipients.

Source: CalPERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012; STRS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012.

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees first employed on or after January 1, 2013, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees first employed on or after January 1, 2013 while

adjusting the retirement formulas, requires employees first employed on or after January 1, 2013 to pay at least 50% of the annual accrued actuarially determined normal costs of benefits and prohibits employers in any year in combination with employee contributions less than the plan normal cost, except as specified, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and special district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on CalSTRS, CalPERS or the District's pension obligations under STRS and PERS at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

Other Post-Employment Benefits

On June 21, 2004, the Governmental Accounting Standards Board released its *Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* ("GASB 45"). GASB 45 establishes standards for the measurement, recognition and display of post-employment healthcare as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments. Under GASB 45, governments are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expenses, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The District's other post-employment benefits ("OPEB") fall under GASB 45.

On September 30, 2011, the District received the results of a commissioned actuarial study by Total Compensation System, Inc. According to the actuarial study dated April 1, 2011, the District has an actuarial accrued liability with respect to its OPEB of approximately \$17.7 million. An actuarial accrued liability ("AAL") represents a projection by the actuary of the present value of the future benefits that the District will pay over the lives of its active employees and retirees and that are allocable to prior years' service. The remaining unamortized balance of the initial unfunded AAL ("UAAL") is \$15,002,692, leaving a "residual" AAL of \$2,672,227. The annual cost to amortize the residual unfunded actuarial accrued liability was calculated using a 5% discount rate and an open 30 year amortization period. The amortization payment would increase each year based on covered payroll. The District has not set aside any pool of assets to prefund this accrued liability and, accordingly, the full actuarial accrued liability is currently unfunded.

The District's actuarial required contribution ("ARC") for the year ended June 30, 2012 was \$2,100,639, of which \$1,285,446 related to the normal cost (*i.e.*, that portion of accrued benefits that are allocable to service by active employees in the current fiscal year). Contributions made by the District during that year were \$1,124,421. Interest on the net OPEB obligation and adjustments to the ARC were \$77,246 and (\$112,357), respectively, which resulted in an increase to the net OPEB obligation of \$941,107. As of June 30, 2012, the net OPEB obligation was \$2,486,017. The District has a retiree benefit fund established where an amount equal to 2% of the total District covered payroll for the 2010/11 fiscal year is deposited for payment of retiree benefits. Each year this percentage is recalculated and adjusted based on current retirees and increased cost of benefits.

GASB 45 only requires these statements of OPEB liabilities and costs to be reflected in the financial statements of the District and there is currently no legal requirement that the District prefund any of its OPEB actuarial accrued liability. The District currently does not have any plans to prefund any of its OPEB actuarial accrued liability. For a further discussion of the District's OPEB liabilities, please see the notes section of the attached APPENDIX C -- "THE DISTRICT'S 2012-12 AUDITED FINANCIAL STATEMENTS."

Population

The populations of the City of Pico Rivera, the County and the State during the period from 2008 through 2012 are set forth in the following table.

<u>Year</u>	Population Figures⁽¹⁾		
	City of <u>Pico Rivera</u>	County of <u>Los Angeles</u>	State of <u>California</u>
2008	63,323	10,301,658	37,883,992
2009	63,095	10,393,185	38,292,687
2010	62,997	9,822,121	37,223,900
2011	63,053	9,847,712	37,427,946
2012	63,199	9,884,632	37,678,563

⁽¹⁾ As of January 1 of the respective year.
Source: California State Department of Finance.

Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the City of Pico Rivera, the State of California and the United States during the period from 2008 through 2012.

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**CITY OF PICO RIVERA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2008 through 2012**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2008</u>				
City of Pico Rivera	29,300	27,300	2,000	7.0
California	18,391,800	17,059,6000	1,332,300	7.2
United States	142,500,000	133,952,000	8,600,000	6.0
<u>2009</u>				
City of Pico Rivera	29,100	25,900	3,100	10.8
California	18,215,656	16,151,063	2,064,593	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
<u>2010</u>				
City of Pico Rivera	29,100	25,700	3,400	11.7
California	18,330,538	16,063,550	2,266,988	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
<u>2011</u>				
City of Pico Rivera	29,200	25,800	3,300	11.4
California	18,404,466	16,237,286	2,167,180	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Pico Rivera	28,900	26,000	3,000	10.2
California	18,494,881	16,560,348	1,934,533	10.5
United States	154,975,000	142,469,000	12,506,000	8.1

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

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Principal Employers [To be updated]

The following table lists the top ten employers in the City of Pico Rivera.

**CITY OF PICO RIVERA
Principal Employers 2012**

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
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Source: InfoUSA.

State Funding of Education

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

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

Item 17.4 H

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

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

English learner, low income, and foster youth students in proportion to supplemental and concentration grant funding.

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

State Assistance

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

Fiscal Year 2013-14 State Budget

Fiscal Year 2013-14 State Budget. On June 14, 2013, the State Legislature approved the State's budget for fiscal year 2013-14 (the "2013-14 State Budget"). Governor Brown signed the 2013-14 State Budget into law on June 27, 2013. The 2013-14 State Budget includes an estimated \$97.1 billion in revenues and transfers with planned spending of \$96.3 billion and establishes a \$1.1 billion reserve fund.

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

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

- *Local Control Funding Formula* — An increase of \$2.1 billion Proposition 98 funding for K-12 school districts and charter schools in fiscal year 2013-14, and \$32 million Proposition 98 General Fund for county offices of education, to support implementation of the Local Control Funding Formula.

Item 17.4 H

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

District Investments

The Treasurer and Tax Collector of Los Angeles County (the “Treasurer”) has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of May 31, 2013, investments in the Treasury Pool were held for local agencies including the County, schools and special purpose districts.

Decisions on the investment of funds in the Treasury Pool are made by the Treasurer in accordance with established policy. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Board of Supervisors of the County on an annual basis.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the Treasury

Pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Treasury Pool, see the caption APPENDIX F – “THE LOS ANGELES COUNTY TREASURY POOL” herein.

Financial Statements of the District

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District’s most recent available audited financial statements, see APPENDIX C – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

The following tables contain accounting data abstracted from financial statements prepared by the District’s independent auditors for the fiscal years 2009-10 through 2011-12.

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Item 17.4 H

EL RANCHO UNIFIED SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES FISCAL YEAR ENDING JUNE 30, 2010, JUNE 30, 2011, AND JUNE 30, 2012 AND UNAUDITED ACTUALS FISCAL YEAR ENDING JUNE 30, 2013

	General Fund Fiscal Year Ended June 30, 2010	General Fund Fiscal Year Ended June 30, 2011	General Fund Fiscal Year Ended June 30, 2012	Unaudited Actuals General Fund Fiscal Year Ended June 30, 2013
REVENUES				
Revenue limit sources	\$52,570,706	\$53,038,291	\$ 52,138,686	\$50,452,299
Federal sources	11,435,330	11,183,711	11,178,577	7,686,708
Other state sources	14,093,423	14,054,676	12,998,439	13,468,742
Other local sources	<u>5,696,425</u>	<u>7,477,605</u>	<u>6,834,147</u>	<u>5,454,991</u>
Total Revenues	<u>83,795,884</u>	<u>85,754,283</u>	<u>83,149,849</u>	<u>77,062,738</u>
EXPENDITURES				
Instructional services:				
Instruction	57,809,073	55,383,085	55,566,854	49,507,634
Instruction-related services:				8,032,064
Supervision of instruction	2,297,645	3,027,749	2,722,125	
Instructional library, media and technology	805,673	805,058	797,701	
School site administration	5,361,090	5,413,892	5,564,297	
Pupil support services:				7,534,806
Home-to-school transportation	1,532,376	1,845,571	1,680,823	
Food services	23,351	1,944	49,661	
All other pupil services	4,534,038	4,886,449	5,298,781	
General administration services:				4,242,023
Data processing services	941,979	975,090	802,165	
Other general administration	3,579,622	3,385,177	3,863,130	
Plant services	8,325,973	8,507,916	8,886,039	8,304,162
Facility acquisition and construction	41,303	53,604	1,904	
Ancillary services	321,954	301,149	298,189	304,394
Other outgo	793,309	615,680	491,527	1,518,876
Enterprise services	--	1,107,433	1,367,995	-
Debt Service:				
Debt service- principal	--	--	56,826	-
Debt service- interest	--	--	292,497	-
Total Expenditures	<u>86,367,386</u>	<u>86,308,797</u>	<u>87,740,514</u>	<u>79,443,961</u>
Excess (Deficiencies) of Revenues over (Under) Expenditures	<u>(\$2,571,502)</u>	<u>554,514</u>	<u>(4,590,665)</u>	<u>(2,381,223)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	2,158,672	1,050,000	1,650,168	200,000
Interfund transfers out	(762,301)	(500,000)	(500,000)	(900,000)
Total Other Financing Sources and Uses	<u>1,396,371</u>	<u>550,000</u>	<u>1,150,168</u>	<u>(700,000)</u>
Net Change in Fund Balances	<u>(1,175,131)</u>	<u>(4,514)</u>	<u>(3,440,497)</u>	<u>(3,081,223)</u>
Fund Balance, Beginning of Year	<u>13,429,451</u>	<u>12,518,407</u>	<u>12,513,893</u>	<u>9,016,404⁽¹⁾</u>
Fund Balance, End of Year	<u>\$12,254,321</u>	<u>\$12,513,893</u>	<u>\$9,073,396</u>	<u>\$5,935,181</u>

(1) [Due to audit adjustments after the District's 2012-13 fiscal year]

Source: The District

Budgets of District

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 years 2011-12, 2012-13, and 2013-14. The District adopted its budget for fiscal year 2013-14 on September 14, 2013.

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EL RANCHO UNIFIED SCHOOL DISTRICT
 GENERAL FUND ADOPTED BUDGETS
 FISCAL YEARS 2011-12, 2012-13, 2013-14

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUES:			
Revenue Limit Sources	\$52,598,826	\$50,911,148	\$50,963,376
Federal	7,882,933	8,099,231	6,919,215
Other State	11,467,426	9,438,186	13,191,286
Other Local	5,218,095	4,779,575	4,729,477
Total Revenues	<u>77,167,280</u>	<u>73,228,140</u>	<u>75,803,354</u>
EXPENDITURES:			
Certificated Salaries	39,120,576	34,962,157	34,953,039
Classified Salaries	13,328,270	11,827,640	11,423,206
Employee Benefits	18,760,270	17,441,133	17,789,556
Books and Supplies	3,057,799	3,586,069	2,239,982
Services and Other Operating Expenditures	9,304,862	8,026,069	8,544,277
Capital Outlay	1,292	11,959	11,066
Other Outgo (Excluding Transfers of Indirect Costs)	631,602	497,345	852,039
Other Outgo (Transfers of Indirect Costs)	(131,833)	(99,702)	(87,017)
Total Expenditures	<u>84,072,602</u>	<u>76,252,670</u>	<u>75,526,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(6,905,322)</u>	<u>(3,024,530)</u>	<u>277,206</u>
OTHER FINANCING SOURCES AND USES:			
Interfund Transfers In	1,650,000	2,549,485	200,000
Interfund Transfers Out	(500,000)	(500,000)	(500,000)
Total Other Financing Sources and Uses	<u>1,150,000</u>	<u>2,049,485</u>	<u>(300,000)</u>
Net Change in Fund Balances	(5,755,322)	(975,045)	(22,794)
Fund Balance, Beginning of Year	<u>8,520,491</u>	<u>4,339,486</u>	<u>4,523,517</u>
Fund Balance, End of Year	<u>\$2,765,166</u>	<u>\$3,364,441</u>	<u>\$4,500,724</u>

Source: The District.

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Capital Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements with options to purchase is summarized below:

	<u>Portables and Equipment</u>
Balance, July 1, 2011	\$ 121,392
Payments	<u>(60,696)</u>
Balance, June 30, 2012	\$ 60,696

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2013	\$ 60,696
Less: Amount Representing Interest	<u>(1,967)</u>
Present Value of Minimum Lease Payments	\$ 58,729

Source: The District.

APPENDIX B

FORM OF BOND COUNSEL OPINIONS

[Closing Date]

Board of Education
El Rancho Unified School District
9333 Loch Lomond Drive
Pico Rivera, California 90660

Re: \$ _____ El Rancho Unified School District General Obligation Bonds,
Election of 2010, Series 2013B

We have acted as bond counsel for the El Rancho Unified School District, County of Los Angeles, State of California (the "District"), in connection with the issuance by the District of \$ _____ aggregate principal amount of the District's General Obligation Bonds, Election of 2010, Series 2013B (the "Bonds"). The Bonds are being issued pursuant to pertinent provisions of the Government Code of the State of California, a resolution of the Board of Education of the District adopted on [October 10], 2013 (the "Resolution"), and an authorization received from the District's voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District. Capitalized terms used herein and not otherwise defined shall be the meanings ascribed 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 Bonds. 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. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the applicable Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The

Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest on those Bonds which are Current Interest Bonds and the excess of the Accreted Value with respect to any Bonds which are Capital Appreciation Bonds over the initial principal amount thereof, to the extent such excess represents interest properly allocated to the Owner of such Capital Appreciation Bonds (the "Excess Accreted Value"), to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on and Excess Accreted Value with respect to the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on and Excess Accreted Value with respect to the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

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

The increases in Accreted Value with respect to those Bonds which are Capital Appreciation Bonds are includable in adjusted current earnings as they accrue semiannually rather than at the time such Accreted Value is actually paid to and received by the owners of the Bonds. Increases in Accreted Value occur each semiannual period in the amount of interest which accrues semiannually during such period on the Accreted Value as of the beginning of such period. An owner's adjusted basis in a Bond which is a Capital Appreciation Bond, used to determine the amount of gain or loss on disposition of such Capital Appreciation Bond, will be equal to the Accreted Value as of the date of calculation.

5. Interest on and Excess Accreted Value with respect to the Bonds are exempt from personal income taxes of the State of California under present state law.
6. We are further of the opinion that the difference between the principal amount of the Bonds maturing August 1, ___ through August 1, ____, inclusive, and on August 1, ____ (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from

Item 17.4 H

gross income for federal income tax purposes to the same extent as interest on and Excess Accreted Value with respect to the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Resolution and in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Current Interest Bonds and Excess Accreted Value with respect to the Capital Appreciation Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

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

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

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

[Closing Date]

Board of Education
 El Rancho Unified School District
 9333 Loch Lomond Drive
 Pico Rivera, California 90660

Re: \$ _____ El Rancho Unified School District General Obligation
Refunding Bonds, Series 2013

We have acted as bond counsel for the El Rancho Unified School District, County of Los Angeles, State of California (the "District"), in connection with the issuance by the District of \$ _____ aggregate principal amount of the District's General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are being issued pursuant to pertinent provisions of the Government Code of the State of California, and a resolution of the Board of Education of the District adopted on [October 10], 2013 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall be the meanings ascribed 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 Bonds. 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. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the applicable Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.
4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate

Item 17.4 H

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

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

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.
6. Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on August 1, 20__ through August 1, 20__, inclusive and on August 1, __ (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Resolution and in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the

District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

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

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

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is executed and delivered by the El Rancho Unified School District (the "District") as of _____, 2013, in connection with the execution and delivery of \$_____ aggregate principal or denominational amount of the District's General Obligation Bonds, Election of 2010, Series 2013B (the "New Money Bonds") and the District's General Obligation Refunding Bonds, Series 2013 (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds"). The Bonds are being issued pursuant to separate resolutions adopted by the Board of Education of the District on [October 10], 2013 (collectively, the "Resolution") and applicable provisions of the Government Code of the State of California. 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 Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and in order to assist George K. Baum & Company (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 Undertaking.

"Annual Report Date" shall mean the date in each year that is eight months after the end of the District's fiscal year (currently ending June 30), which date, as of the date of this Disclosure Undertaking, is March 1.

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

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" shall mean any dissemination agent, or any alternate or successor dissemination agent, designated in writing by the Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at <http://emma.msrb.org>, or any other entity designated or authorized by the Commission.

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

SECTION 4. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District), no later than the Annual Report Date, commencing with the report for the fiscal year ending June 30, 2013, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at <http://emma.msrb.org>.

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 Undertaking; 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. If the District does not have audited financial statements available when it submits the relevant Annual Report, it shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

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 MSRB as soon as practical after it has been made available to the District.

(b) The final adopted budget of the District for the then current fiscal year;

(c) [An update to the following tables under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Assessed Valuation," "-Tax Rates," "-Tax Levies and Delinquencies" and "-Largest Taxpayers":

(i) Assessed Valuation;

(ii) Secured Tax Charges and Delinquencies;

- (iii) Largest Taxpayers;
- (iv) Assessed Valuation and Parcels by Land Use;
- (v) Typical Total Tax Rates Per \$100 of Assessed Valuation (TRA 7978)]

(d) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the 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 Listed Events.

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

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the District.

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

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

Item 17.4 H

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

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

(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) Whenever a Listed Event described in Section 6(a) hereof occurs, or the District determines that a Listed 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 file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the District hereunder.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Undertaking, the District may amend this Disclosure Undertaking under the following conditions, provided no amendment to this Disclosure Undertaking 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 Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

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

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

SECTION 13. Record Keeping. The District shall maintain records of all Annual Reports and notices of material Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

SECTION 14. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

Item 17.4 H

IN WITNESS WHEREOF, El Rancho Unified School District has executed this Continuing Disclosure Undertaking as of the date first set forth herein.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: El Rancho Unified School District

Name of Issue: \$_____ El Rancho Unified School District General Obligation Bonds,
2010 Election, Series 2013B

\$_____ El Rancho Unified School District General Obligation Refunding
Bonds, Series 2013

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 Bonds as required by Section 4(a) of the Disclosure Undertaking dated _____, 2013. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that 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, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

General

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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") and together with the Direct Participants, the "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. The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

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

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

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

Principal or Maturity Amount, premium, if any and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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, Maturity Amount, 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

Item 17.4 H

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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 Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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

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

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

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

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

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

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County Treasury Pool (the "Treasury Pool") has been obtained from the Treasurer and Tax Collector of Los Angeles County (the "Treasurer") and has not been confirmed or verified by El Rancho Unified School District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Treasurer has the delegated authority to invest funds on deposit in the Treasury Pool. As of July 31, 2013, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$ 7.886
Schools and Community Colleges	13.146
Independent Public Agencies	<u>2.614</u>
Total	\$23.646

Of these entities, the involuntary participants accounted for approximately 88.94%, and all discretionary participants accounted for 11.06% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy (the "Investment Policy") developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2013, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the County Board of Supervisors. According to the Investment Report dated July 31, 2013, the July 31, 2013, book value of the Treasury Pool was approximately \$23.646 billion and the corresponding market value was approximately \$23.492 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly

Item 17.4 H

basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of July 31, 2013.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	54.60
Certificates of Deposit	19.02
Commercial Paper	25.06
Bankers Acceptances	0.00
Municipal Obligations	0.14
Corporate Notes & Deposit Notes	1.18
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	<hr/> 100.00

The Treasury Pool is highly liquid. As of July 31, 2013, approximately 39.28% of the investments mature within 60 days, with an average of 615 days to maturity for the entire portfolio.

EXHIBIT G

ACCRETED VALUES TABLE

Item 17.4 I

ISSUE:

Adopt Resolution No. 15-2013/2014; A resolution of the Board of Education of El Rancho Unified School District authorizing the issuance and sale of El Rancho Unified School District General Obligation Bonds, Election of 2010, Series 2013B, in an aggregate principal amount not to exceed \$9,000,000 and approving certain other matters relating to said bonds.

ANALYSIS:

On November 2, 2010, voters in the El Rancho Unified School District approved the issuance and sale of general obligation bond funds in the maximum amount of \$52,000,000 for various purposes set forth in the ballot. The District has issued and sold \$5,304,628.90 of its bonds and has now determined that the District has a requirement for the construction, improvement, furnishing and equipping of certain school facilities and desires to issue its General Obligation Bonds, election of 2010, series 2013B.

This resolution will authorize the financing team to proceed with the refinancing, and approves the form of documents to be used in issuing the bonds as follows:

1. The Contract of Purchase
3. The Preliminary Official Statement

RECOMMENDATION:

Adopt Resolution No. 15-2013/2014; A resolution of the Board of Education of El Rancho Unified School District authorizing the issuance and sale of El Rancho Unified School District General Obligation Bonds, Election of 2010, Series 2013B, in an aggregate principal amount not to exceed \$9,000,000 and approving certain other matters relating to said bonds.

Submitted by: Leticia Covarrubias, Chief Business Officer

October 10, 2013

Resolution No. 15-2013/2014

**RESOLUTION OF THE BOARD OF EDUCATION
OF EL RANCHO UNIFIED SCHOOL DISTRICT
AUTHORIZING THE ISSUANCE AND SALE OF
EL RANCHO UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS,
ELECTION OF 2010, SERIES 2013B, IN AN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED \$9,000,000 AND APPROVING
CERTAIN OTHER MATTERS RELATING TO SAID BONDS**

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. Definitions.....	2
SECTION 2. Rules of Construction	6
SECTION 3. Authority for this Resolution	6
SECTION 4. Resolution to Constitute Contract.....	6
SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds	6
SECTION 6. Authorization of Officers.....	8
SECTION 7. Use of Bond Proceeds.....	8
SECTION 8. Designation and Form; Payment.....	8
SECTION 9. Description of the Current Interest Bonds	9
SECTION 10. Description of the Capital Appreciation Bonds and Convertible CABS	9
SECTION 11. Tax Covenants	10
SECTION 12. Book-Entry System.....	10
SECTION 13. Execution of the Bonds.....	12
SECTION 14. Transfer and Exchange	13
SECTION 15. Bonds Mutilated, Destroyed, Stolen or Lost.....	13
SECTION 16. Bond Register.....	14
SECTION 17. Unclaimed Money.....	14
SECTION 18. Application of Proceeds.....	14
SECTION 19. Payment of and Security for the Bonds	15
SECTION 20. Establishment and Application of Excess Earnings Fund	15
SECTION 21. Payment of Costs of Issuance	16
SECTION 22. Negotiated Sale/Method of Sale	16
SECTION 23. Engagement of Consultants; Parameters of Sale	16
SECTION 24. Establishment of Additional Funds and Accounts.....	16
SECTION 25. Request for Necessary County Actions	16
SECTION 26. Redemption.....	17
SECTION 27. Selection of Bonds for Redemption.....	17
SECTION 28. Notice of Redemption.....	18
SECTION 29. Partial Redemption of Bonds.....	19
SECTION 30. Effect of Notice of Redemption.....	19

TABLE OF CONTENTS
(continued)

	<u>Page</u>
SECTION 31. Paying Agent; Appointment and Acceptance of Duties	19
SECTION 32. Liability of Paying Agent.....	19
SECTION 33. Evidence on Which Paying Agent May Act.....	20
SECTION 34. Compensation	20
SECTION 35. Ownership of Bonds Permitted.....	20
SECTION 36. Resignation or Removal of Paying Agent and Appointment of Successor	20
SECTION 37. Investment of Certain Funds.....	21
SECTION 38. Valuation and Sale of Investments	21
SECTION 39. Supplemental Resolutions with Consent of Owners.....	21
SECTION 40. Supplemental Resolutions Effective Without Consent of Owners.....	21
SECTION 41. Effect of Supplemental Resolution.....	22
SECTION 42. Defeasance	22
SECTION 43. Bond Insurance	23
SECTION 44. Approval of Actions; Miscellaneous	23
SECTION 45. Conflicts.....	23
SECTION 46. Effective Date	23
EXHIBIT A-1 FORM OF CURRENT INTEREST BOND	A-1-1
EXHIBIT A-2 FORM OF CAPITAL APPRECIATION BOND	A-2-1
EXHIBIT A-3 FORM OF CONVERTIBLE CAB	A-3-1
EXHIBIT B FORM OF 15c2-12 CERTIFICATE	B-1

**RESOLUTION OF THE BOARD OF EDUCATION
OF EL RANCHO UNIFIED SCHOOL DISTRICT
AUTHORIZING THE ISSUANCE AND SALE OF
EL RANCHO UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS,
ELECTION OF 2010, SERIES 2013B, IN AN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED \$9,000,000 AND APPROVING
CERTAIN OTHER MATTERS RELATING TO SAID BONDS**

WHEREAS, a duly called election was held in the El Rancho Unified School District, a unified school district duly organized and existing under the laws of the State of California (the "**District**"), County of Los Angeles (the "**County**"), State of California, on November 2, 2010 (the "**Election**"), and thereafter canvassed pursuant to law; and

WHEREAS, at the Election, there was submitted to and approved by the requisite fifty-five percent (55%) of the qualified electors of the District voting on the proposition 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 amount of \$52,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the "**Authorization**"); and

WHEREAS, the District has heretofore issued and sold \$5,304,628.90 aggregate principal amount of its general obligation bonds under the Authorization; and

WHEREAS, the Board of Education of the District (the "**Governing Board**") has now 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 desires to issue its General Obligation Bonds, Election of 2010, Series 2013B (the "**Bonds**"); and

WHEREAS, this Governing Board has determined that it is desirable to sell the Bonds pursuant to a negotiated underwriting to George K. Baum & Company, as underwriter (the "**Underwriter**") pursuant to a Contract of Purchase (as defined herein), a form of which has been submitted to this meeting of the Governing Board and is on file with the Clerk thereof (the "**Clerk**"); and

WHEREAS, a form of the preliminary official statement (the "**Preliminary Official Statement**") relating to the Bonds has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, a form of continuing disclosure undertaking (the "**Continuing Disclosure Undertaking**"), attached as Appendix D to the Preliminary Official Statement, has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, this Governing Board desires that the Treasurer and Tax Collector of the County of Los Angeles (the "**Treasurer**") should levy and collect an *ad valorem* property tax on

all taxable property within the District sufficient to provide for payment of the Bonds, and intends by the adoption of this Resolution to notify the Board of Supervisors of the County, the Auditor-Controller of the County (the “**Auditor-Controller**”), the Treasurer and other officials of the County that they should take such actions as shall be necessary to provide for the levy and collection of such tax and payment of the Bonds; and

WHEREAS, all acts, conditions and other matters required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including this proposed issue of Bonds, is within all limits prescribed by law;

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Education of the El Rancho Unified School District as follows:

SECTION 1. Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the Recitals hereto. Additionally, the following terms shall for all purposes of this Resolution have the following meanings:

“Accreted Value” shall mean with respect to any Capital Appreciation Bonds or Convertible CABs prior to their Conversion Date, as of any date of calculation, the sum of the Denominational Amount thereof and the interest accrued thereon to such date of calculation, compounded from the date of initial issuance at the stated accretion rate thereof on each February 1 and August 1, or as otherwise set forth in the Contract of Purchase, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

“Auditor-Controller” shall mean the Auditor-Controller of the County.

“Authorized Investments” shall mean legal investments authorized by Section 53601 of the Government Code of the State of California.

“Authorizing Law” shall mean, collectively, (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as amended; (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution.

“Board of Supervisors” shall mean the Board of Supervisors of the County.

“Bond Counsel” shall mean Nixon Peabody LLP or any other firm that is a nationally recognized bond counsel firm.

“Bond Register” shall mean the books referred to in Section 16 of this Resolution.

“Building Fund” shall mean the Building Fund of the District, established at the direction of the District and administered by the County Office of Education.

Item 17.4 I

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

“Capital Appreciation Bonds” shall mean the Bonds accreting interest on the Denominational Amount thereof, designated as such in Section 10 of this Resolution.

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

“Contract of Purchase” shall mean the Contract of Purchase by and between the District and the Underwriter relating to the Bonds.

“Conversion Date” shall mean the date specified for the conversion of Convertible CABs into Current Interest Bonds, as specified in the Contract of Purchase.

“Conversion Value” shall mean the Accreted Value of the Convertible CABs on the Conversion Date therefor, as specified in the Contract of Purchase.

“Convertible CABs” shall mean Bonds which, by their terms, are issued initially as Capital Appreciation Bonds, but, on the Conversion Date, convert to Current Interest Bonds, designated as such in the Contract of Purchase, designated as such by Section 10 of this Resolution.

“Costs of Issuance” shall mean all of the authorized costs of issuing the Bonds as described in the Authorizing Law, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Preliminary Official Statement and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; financial advisory fees; underwriter’s fees; rating agency fees; auditor’s fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing, including the fees and expenses of Bond Counsel; the initial fees and expenses of the Paying Agent; fees for credit enhancement (if any) relating to the Bonds; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“County” shall mean the County of Los Angeles, California.

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

“Current Interest Bonds” shall mean the Bonds bearing interest payable semiannually, designated as such in Section 9 of this Resolution.

“Debt Service” shall have the meaning given to that term in Section 18 of this Resolution.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 18 of this Resolution.

“Denominational Amount” shall mean, as to any Capital Appreciation Bond or Convertible CAB, the initial issue amount thereof.

“Depository” shall mean DTC and its successors and assigns or if (a) the then-acting Depository resigns from its functions as securities depository for the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds.

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

“EMMA” shall mean the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Financial Advisor” shall mean Caldwell Flores Winters, Inc., Emeryville, California, acting as financial advisor to the District in connection with the issuance and sale of the Bonds.

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

“Information Services” shall mean EMMA and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a certificate of the District delivered to the Paying Agent.

“Interest Payment Date” shall mean with respect to (i) any Current Interest Bond, February 1 and August 1 in each year, commencing on February 1, 2014, or as otherwise specified in the Contract of Purchase, (ii) any Capital Appreciation Bond, the maturity or prior redemption date thereof, and (iii) any Convertible CAB prior to its Conversion Date, the redemption date thereof, if any.

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

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive the reports described in the Continuing Disclosure Undertaking. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

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

“Nonarbitrage Certificate” shall mean the Tax and Nonarbitrage Certificate of the District delivered in connection with the issuance of the Bonds.

Item 17.4 I

“Official Statement” shall mean the final official statement of the District describing the Bonds.

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

- (i) Bonds canceled at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 14 hereof;
- (iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 42 of this Resolution.

“Owner” shall mean the registered owner, as indicated in the Bond Register, of any Bond.

“Participant” shall mean a member of or participant in the Depository.

“Paying Agent” shall mean the paying agent designated pursuant to Section 31 hereof.

“Pledged Moneys” shall have the meaning given to that term in Section 19 of this Resolution.

“Principal” or “Principal Amount” shall mean, as of any date of calculation, with respect to (i) any Current Interest Bond, the principal amount thereof, and (ii) any Capital Appreciation Bond or Convertible CAB prior to its Conversion Date, the Accreted Value thereof.

“Projects” shall include the capital improvements further described in Section 7 of this Resolution and delineated in the ballot presented to and approved by the voters of the District at the Election.

“Project Costs” shall mean all of the expenses of and incidental to the construction, acquisition, equipping or furnishing of the Projects.

“Record Date” shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date.

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

“S&P” shall mean Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such corporation shall no longer

perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Facsimile transmission: (212) 785-9681, (212) 855-3215, and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

"State" shall mean the State of California.

"Superintendent" shall mean the Superintendent of the District.

"Supplemental Resolution" shall mean any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Section 39 or Section 40 hereof.

"Transfer Amount" shall mean, with respect to (i) any Current Interest Bond, the aggregate Principal Amount thereof, (ii) any Capital Appreciation Bond, the Maturity Amount thereof; and (iii) any Convertible CAB, the Conversion Value thereof.

"Underwriter" shall mean George K. Baum & Company, as underwriter of the Bonds.

SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

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

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

SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds.

(a) The Authorized Officers (as defined in Section 6 hereto), in consultation with the Financial Advisor and Bond Counsel and the other officers of the District are, and each of them acting alone is, hereby authorized and directed to issue and deliver the Bonds and to establish the initial aggregate principal amount thereof; provided, however, that such initial

Item 17.4 I

aggregate principal amount shall not exceed the maximum aggregate principal amount of \$9,000,000.

(b) The form of the Contract of Purchase is hereby approved. The Authorized Officers are, and each of them acting alone is, authorized and directed to execute and deliver the Contract of Purchase to the Underwriter for and in the name and on behalf of the District, with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District including, without limitation (i) such changes as are necessary to reflect the final terms of the Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be conclusively evidenced by such Authorized Officer's execution thereof and (ii) any other documents required to be executed thereunder. The Authorized Officers are, and each of them acting alone is, hereby authorized to negotiate with the Underwriter the terms, maturities, interest rates and series on the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's discount of not more than 0.9% (not including original issue discount and any costs of issuance paid by the Underwriter) of the Principal amount thereof. The interest rate on the Bonds shall not exceed eight percent (8%). The Authorized Officers, in consultation with the Underwriter and Bond Counsel are, and each of them acting alone is, hereby authorized to designate whether the Bonds are to be issued in the form of one or more series of tax-exempt Bonds, and/or one or more series of federally taxable Bonds. Such designation shall be set forth in the Contract of Purchase. Principal of the Bonds shall be payable as set forth in the Contract of Purchase, provided that all Principal shall be payable within 40 years of the date of the Bonds.

(c) The form of the Continuing Disclosure Undertaking is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Continuing Disclosure Undertaking on behalf of the District, with such changes therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Undertaking shall not be considered an event of default and shall not be deemed to create any monetary liability on the part of the District to any other persons, including Owners of the Bonds.

(d) The form of the Preliminary Official Statement is hereby approved. This Governing Board also hereby authorizes the use and distribution of: (a) the Preliminary Official Statement with such changes as the Authorized Officer executing the certificate described below may approve, such approval to be conclusively evidenced by such Authorized Officer's execution of such certificate; and (b) an Official Statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or desirable in connection with the sale of the Bonds as determined by the Authorized Officer executing the Official Statement, such determination to be conclusively evidenced by the execution and delivery of the Official Statement by such Authorized Officer; and (c) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem

necessary or desirable, such determination to be conclusively evidenced by the execution of such amendment or supplement or of a certificate as described below by such Authorized Officer. The Authorized Officers are, and each of them acting alone hereby is, authorized to approve such additions, deletions or changes to the Preliminary Official Statement and Official Statement, as are necessary or desirable to effect the purposes of this Resolution and to comply with applicable laws and to deliver copies of the Preliminary Official Statement and the Official Statement. The Authorized Officers also are, and each of them acting alone hereby is, authorized to determine whether any Preliminary Official Statement and/or Official Statement shall be used in connection with the sale of the Bonds. Upon approval of the Preliminary Official Statement by such Authorized Officer as evidenced by execution of a certificate substantially in the form of Exhibit B attached hereto and by this reference incorporated herein, with such changes as may be necessary or desirable, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

(e) This Governing Board also hereby authorizes the preparation of a paying agent agreement in connection with the Bonds, in such form as shall be determined by an Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the paying agent agreement by such Authorized Officer.

SECTION 6. Authorization of Officers. The officers of the District, including but not limited to the Superintendent, the Chief Business Official and their authorized representatives (each, an “Authorized Officer” and together, the “Authorized Officers”) are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purposes.

SECTION 7. Use of Bond Proceeds. The proceeds of the Bonds shall be used for (a) the financing of the acquisition, construction, furnishing and equipping of District facilities for some or all of the Projects authorized at the Election, the bond proposition and project list approved at which shall be incorporated herein by this reference as though fully set forth in this Resolution; and (b) the payment of the Costs of Issuance of the Bonds.

SECTION 8. Designation and Form; Payment.

(a) An issue of Bonds in one or more series entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate principal amount not to exceed \$9,000,000. Such Bonds shall be general obligations of the District, payable as to Principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the taxable property in the District. The Bonds shall be designated the “El Rancho Unified School District General Obligation Bonds, Election of 2010, Series 2013B.” The Bonds may be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible CABs, may be issued as serial bonds or term bonds, and shall be subject to redemption as set forth in the Contract of Purchase, subject to the provisions of this Resolution.

(b) The forms of the Bonds shall be substantially in conformity with the standard form of registered school district bonds, copies of which are attached hereto as

Exhibit A-1, Exhibit A-2 and Exhibit A-3 and incorporated herein by this reference, with such changes as are necessary to reflect the final terms of the Bonds.

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

SECTION 9. Description of the Current Interest Bonds.

(a) The Bonds issued as Current Interest Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, except as provided in the Contract of Purchase. The Current Interest Bonds shall be dated and shall mature on the dates, in the years and in the Principal Amounts, and interest shall be computed at the rates, set forth in the Contract of Purchase.

(b) Interest on each Current Interest Bond shall accrue from its dated date as set forth in the Contract of Purchase. Interest on Current Interest Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with respect to each Current Interest Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Current Interest Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Current Interest Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount or more of such Current Interest Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Current Interest Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

SECTION 10. Description of the Capital Appreciation Bonds and Convertible CABS.

(a) The Bonds issued as Capital Appreciation Bonds shall be issued in fully registered form in any Denominational Amount but shall reflect denominations of \$5,000 Maturity Amount or any integral multiple thereof, shall mature on the dates, in the years and in the Maturity Amounts, and shall accrete interest at the accretion rates, all as set forth in the Contract of Purchase.

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

(c) The Bonds issued as Convertible CABs shall be issued in fully registered form in any Denominational Amount but shall reflect denominations of \$5,000 Conversion Value or any integral multiple thereof, shall mature on the dates, in the years and with the Conversion Values, and shall accrete interest at their Accretion Rate through the Conversion Date, all as set forth in the Contract of Purchase.

(d) Prior to the Conversion Date, the Convertible CABs shall not pay current interest. Prior to the Conversion Date, each Convertible Capital Appreciation Bond shall increase in value by the accretion of interest from its Denominational Amount on the date of issuance thereof to its stated Conversion Value at the Conversion Date. Prior to the Conversion Date, interest accreting on the Convertible CABs will be computed on the basis of a 360-day year comprised of twelve 30-day months, will be compounded semiannually thereafter on February 1 and August 1 in each year, or as otherwise set forth in the Contract of Purchase. No interest will be payable on any Convertible CAB prior to or on the Conversion Date.

(e) Following the Conversion Date, interest on the Convertible CABs shall be computed based upon the Conversion Value and on the basis of a 360-day year comprised of twelve 30-day months and will be payable on each Interest Payment Date, commencing on the first Interest Payment Date following the Conversion Date. Following its Conversion Date, each Convertible CAB will pay interest and be payable in the same manner as Current Interest Bonds.

SECTION 11. Tax Covenants. With respect to any Bonds intended to qualify as federally income exempt, in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, this Governing Board hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. In furtherance of these covenants, the District agrees to comply with the covenants contained in the Nonarbitrage Certificate. The District hereby agrees to deliver instructions to the Paying Agent as may be necessary in order to comply with the Nonarbitrage Certificate.

SECTION 12. Book-Entry System.

(a) The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. Separate Bonds may be issued to represent Current Interest Bonds, Capital Appreciation Bonds and Convertible CABs maturing in the same years, if any.

Upon initial issuance, the ownership of each such global Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the

Item 17.4 I

Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond shall bear a legend describing restrictions on transfer, as may be prescribed by the Depository.

With respect to Bonds registered in the Bond Register 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 Bonds. 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 Bonds, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice (as defined in Section 28 below), (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds 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 Bonds. The District and the Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of Principal of, premium, if any, and interest on such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all Principal of, premium, if any, and interest on the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of Principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond 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) In order to qualify the Bonds for the Depository's book-entry system, the District is hereby authorized to execute and deliver to such Depository a letter from the District representing such matters as shall be necessary to so qualify the Bonds (the "**Representation Letter**"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (a) hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the District, and its deputies and designees, are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the Depository's book-entry program.

(c) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds 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 receive notice or become aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the District shall cause the issuance of bonds representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be lodged with a Depository and that the provisions of subsection (a) hereof shall no longer apply to the Bonds. In any such event the District shall cause the execution and delivery of certificated securities representing the Bonds as provided below. Bonds issued in exchange for global bonds 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 cause delivery of such certificated securities representing the Bonds to the persons in whose names such Bonds 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 global bond for each of the maturities of Bonds, 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.

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

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

SECTION 13. Execution of the Bonds.

(a) The Bonds shall be executed in the manner required by the Authorizing Law. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been issued by the District, such Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed on behalf of the District by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the District, although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.

(b) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

SECTION 14. Transfer and Exchange. The registration of any Bond may be transferred upon the Bond Register upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown in one of the Exhibits hereto, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Principal Amount and in authorized denominations or Maturity Amounts, will be executed and delivered to the transferee in exchange therefor.

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

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

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

SECTION 15. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like date, interest rate, maturity, Transfer Amount and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur, the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like date, interest rate, maturity, Transfer Amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this

Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

SECTION 16. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and registration of transfer of the Bonds. Upon presentation for registration of transfer, the Paying Agent shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books. While the Bonds are held in the book-entry system, the Paying Agent is not required to keep the Bond Register.

SECTION 17. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the General Fund of the District; provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the General Fund of the District. Thereafter, the Owners of such Bonds shall look only to the General Fund of the District for payment of such Bonds.

SECTION 18. Application of Proceeds.

(a) Upon the sale of the Bonds and at the further written instruction of an Authorized Officer, the Treasurer is hereby directed to apply or deposit a portion of the net proceeds thereof, exclusive of accrued interest and any original issue premium, into the Building Fund. The District shall, from time to time, disburse or cause to be disbursed amounts from the Building Fund to pay Project Costs. Amounts in the Building Fund shall be invested so as to be available for the aforementioned disbursements. The District shall keep a written record of disbursements from the Building Fund.

(b) Accrued interest, if any, and except as shall otherwise be directed by the District in accordance with applicable law, any original issue premium received by the District from the sale of the Bonds, shall be kept separate and apart in the fund hereby created and established and to be designated as the "El Rancho Unified School District 2013 General Obligation Bonds Debt Service Fund" (the "**Debt Service Fund**") and used only for payment of Principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the Principal of and interest on the Bonds.

The Treasurer is directed to create any accounts and subaccounts in the Debt Service Fund as provided in any Nonarbitrage Certificate.

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

(d) On the Business Day immediately preceding each Interest Payment Date if the Paying Agent is not the Treasurer, and on the Interest Payment Date if the Paying Agent is the Treasurer, the District shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the Principal of, premium, if any, and interest on the Bonds coming due (collectively, "**Debt Service**") on such payment date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.

(e) The District shall cause moneys to be transferred to the Excess Earnings Fund, to the extent needed to comply with the Nonarbitrage Certificate. Any amounts on deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the General Fund of the District subject to any conditions set forth in the Nonarbitrage Certificate.

(f) Certain proceeds of the Bonds may be applied to pay Costs of Issuance as provided in Section 21 below.

(g) Except as required to satisfy the requirements of Section 148(f) of the Code or to comply with the provisions of any Nonarbitrage Certificate, interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Bonds when due.

SECTION 19. Payment of and Security for the Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes a continuing direct *ad valorem* tax annually during the period the Bonds are outstanding in an amount sufficient to pay the Principal of and interest on the Bonds when due, which monies when collected will be placed in the Debt Service Fund of the District, which fund is irrevocably pledged for the payment of the Principal of and interest on the Bonds when and as the same fall due (the "**Pledged Moneys**"). The tax levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The District covenants to cause the County to take all actions necessary to levy such *ad valorem* tax in accordance with this Section and Section 15140 of the Education Code and Section 53508.7 of the Government Code.

Except as required below to satisfy the requirements of Section 148(f) of the Code, interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay Principal and interest on the Bonds when due.

SECTION 20. Establishment and Application of Excess Earnings Fund. There is hereby established in trust a special fund designated "El Rancho Unified School District 2013 General Obligation Bonds Excess Earnings Fund" (the "**Excess Earnings Fund**") which shall be held by the County Office of Education for the account of the District and which shall be

kept separate and apart from all other funds and accounts held hereunder. The District shall transfer, or cause to be transferred, moneys to the Excess Earnings Fund in accordance with the provisions of the Nonarbitrage Certificate. Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the Nonarbitrage Certificate.

SECTION 21. Payment of Costs of Issuance. Proceeds of the sale of the Bonds necessary to pay all costs of issuing the Bonds shall be deposited in the fund of the District known as the "El Rancho Unified School District 2013 General Obligation Bonds Costs of Issuance Fund" (the "**Cost of Issuance Fund**") and shall be kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Bonds. The Cost of Issuance Fund may be held and administered by the Paying Agent. Notwithstanding the foregoing, all or a portion of the costs of issuance may be paid by the Underwriter, by the Paying Agent or by a fiscal agent designated for such purpose. Any amounts retained for payment of Costs of Issuance and returned to the District pursuant to the Contract of Purchase shall be transferred to the Debt Service Fund to be applied to the payment of the Principal of and/or interest on the Bonds.

SECTION 22. Negotiated Sale/Method of Sale. The Bonds shall be sold by negotiated sale to the Underwriter inasmuch as: (i) such a sale will allow the District to integrate the sale of the Bonds with other public financings undertaken, or to be undertaken, by the District in order to refinance outstanding debt or finance and fund its public education facilities; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; and (iii) such a sale will allow the District to control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market and the generation of savings to the taxpayers of the District.

SECTION 23. Engagement of Consultants; Parameters of Sale. Caldwell Flores Winters, Inc. has been selected to act as financial advisor to the District. Nixon Peabody LLP has been selected as the District's bond and disclosure counsel and George K. Baum & Company has been selected to act as Underwriter with respect to the authorization, sale and issuance of the Bonds. The estimated costs of issuance associated with the sale of the Bonds are approximately 5.0% of the initial principal amount of the Bonds, which include the financial advisor fees, bond and disclosure counsel fees, costs of printing the Official Statement, rating agency fees, Paying Agent fees, the fees of the Financial Advisor and other related costs. In addition, the estimated Underwriter's discount, which is not included in the percentage above, is 0.9% of the estimated par amount. An estimate of the itemized fees and expenses is on file with the Superintendent. Bond insurance, if purchased, is estimated to cost \$40,000.

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

SECTION 25. Request for Necessary County Actions. The Board of Supervisors, the Auditor-Controller, the Treasurer, and other officials of the County, are hereby

requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of a property tax on all taxable property of the District sufficient to provide for payment of all Principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable as necessary for the payment of the Bonds, and the Clerk of the Board is hereby authorized and directed to deliver certified copies of this Resolution to the Clerk of the Board of Supervisors of the County, the Auditor-Controller of the County, and the Treasurer. The Board hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the District shall reasonably request.

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

SECTION 27. Selection of Bonds for Redemption.

(a) Whenever provision is made in this Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the payment date designated for such redemption, shall select Bonds for redemption in the manner directed by the District.

(b) With respect to any Bonds designated as tax-exempt Bonds, within a series and maturity, the Paying Agent shall select such Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof and the portion of any Capital Appreciation Bond to be redeemed in part shall be in the Maturity Amount of \$5,000 or any integral multiple thereof, and the portion of any Convertible CAB to be redeemed in part prior to its Conversion Date shall be in the Conversion Value of \$5,000 or any integral multiple thereof, and after the Conversion Date shall be in the Principal Amount of \$5,000 or integral multiple thereof. The Accreted Value of such Capital Appreciation Bond shall be determined by reference to a schedule to be provided to the Paying Agent.

(c) With respect to any Bonds designated as taxable Bonds by an Authorized Officer, if such Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of such Bonds of a series and maturity are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as such Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Paying Agent pursuant to DTC operational arrangements. If the Paying Agent does not provide the necessary information and identify the redemption as on a "Pro Rata Pass Through Distribution of Principal" basis, such Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the District's intent that redemption allocations made by DTC, participants in DTC or such other intermediaries that may exist between the District and the Beneficial Owners be made on a "Pro Rata Pass Through

Distribution of Principal” basis as described above. In the event that such Bonds are no longer held by DTC or a successor securities depository, such Bonds shall be selected for redemption in the manner provided in the Contract of Purchase.

SECTION 28. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Contract of Purchase, the Paying Agent, upon written instruction from the District given at least 60 days prior to the payment date designated for such redemption, shall give notice (each, a “**Redemption Notice**”) of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (a) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the (i) redemption price, together with the interest accrued to the redemption date in the case of Current Interest Bonds or Convertible CABs after the Conversion Date, (ii) the Accreted Value in the case of Capital Appreciation Bonds, or (iii) the Conversion Value in the case of Convertible CABs before the Conversion Date, and (b) 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 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

(b) In the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, 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 Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the MSRB.

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

SECTION 29. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Any Redemption Notice given hereunder may be made conditional upon the satisfaction of certain conditions and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Owners of affected Bonds and the Information Services.

SECTION 30. 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 Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in this Resolution and the Contract of Purchase, 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 with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

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

SECTION 31. Paying Agent; Appointment and Acceptance of Duties.

(a) The Treasurer or his or her designated agent is hereby appointed as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "**Paying Agent**"). The Treasurer is authorized to contract with any third party to perform the services of Paying Agent under this Resolution. All fees and expenses incurred for services of the Paying Agent, including its third party agents, shall be the sole responsibility of the District. The Paying Agent shall keep accurate records of all funds administered by it and all of the Bonds paid and discharged by it.

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

SECTION 32. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued

hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 33. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 34. Compensation. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution, all of which may, pursuant to Education Code Section 15232, be paid from the County's annual levy of *ad valorem* taxes.

SECTION 35. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 36. Resignation or Removal of Paying Agent and Appointment of Successor.

(a) The initially appointed Paying Agent may resign from service as Paying Agent at any time. Prior to such resignation a new Paying Agent shall be appointed by the District in accordance with applicable law, which shall be the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation of the initial or a successor Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(b) Any Paying Agent appointed may resign from service as Paying Agent and may be removed at any time by the District as provided in the Paying Agent's service agreement. If at any time the Paying Agent shall resign or be removed, a new Paying Agent shall be appointed in accordance with applicable law, which shall be either the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District, a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(c) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its

successor. The District shall promptly provide notice of the name and principal corporate trust office address of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Owners of the Bonds by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

SECTION 37. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts, subject to any conditions in the Nonarbitrage Certificate. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book entry form on the books of the Department of Treasury of the United States. All investment earnings on amounts on deposit in the Debt Service Fund shall remain on deposit in such fund.

SECTION 38. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account. In computing the amount in any fund or account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued interest.

SECTION 39. Supplemental Resolutions with Consent of Owners. This Resolution, and the rights and obligations of the District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 40. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:

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

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

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

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

(e) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the interests of the Owners.

SECTION 41. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent thereof from taking any action pursuant thereto.

SECTION 42. Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

- (1) by paying or causing to be paid the Principal, premium, if any, and interest on such Bonds, and when the same become due and payable;
- (2) by depositing with the Paying Agent, in trust, at or before maturity, cash which together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or
- (3) by depositing with an institution that meets the requirements of serving as successor Paying Agent pursuant to Section 36 selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and 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 Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient

to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under this Resolution with respect to such Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under Section 34 hereof.

SECTION 43. Bond Insurance. All or a portion of the Bonds may be sold with bond insurance or other form of credit enhancement, if an Authorized Officer determines that the savings to the District resulting from the purchase of such bond insurance exceeds the cost thereof.

SECTION 44. Approval of Actions: Miscellaneous.

(a) The Superintendent and the other officers of the District 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 Bonds or 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.

(b) The County, its Board of Supervisors, officers, agents, and employees shall not be responsible for any proceedings or the preparation or contents of any resolutions, certificates, statements, disclosures, notices, contracts, or other documents relating to the sale and issuance of the Bonds.

(c) The Principal of and interest and redemption premium (if any) on the Bonds shall not constitute debt or an obligation of the County, the Board of Supervisors, officers, agents, or employees, and the County, the Board of Supervisors, officers, agents, and employees thereof shall not be liable thereon. In no event shall the Principal of and interest and redemption premium (if any) on any Bond be payable out of any funds or property of the County.

(d) The Clerk shall send a certified copy of this Resolution, together with the final debt service schedule for the Bonds, to the Treasurer.

SECTION 45. Conflicts. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Contract of Purchase, the Contract of Purchase prevails to the extent of the inconsistency or conflict. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Nonarbitrage Certificate, the Nonarbitrage Certificate prevails to the extent of the inconsistency or conflict.

SECTION 46. Effective Date. This Resolution shall take effect immediately upon its passage.

ADOPTED AND APPROVED this 10th day of October, 2013, by the Board of Education of the El Rancho Unified School District, at a regularly scheduled meeting held in Pico Rivera, California, at a location freely accessible to the public, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

**BOARD OF EDUCATION OF EL RANCHO
UNIFIED SCHOOL DISTRICT**

By: _____
President of the Board of Education

Attest:

By: _____
Clerk of the Board of Education

EXHIBIT A-1

FORM OF CURRENT INTEREST BOND

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010, SERIES 2013B

\$ _____

No. _____

Interest Rate

Maturity Date

Dated Date

CUSIP

____%

August 1, 20__

Date of Delivery

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The El Rancho Unified School District (the "District") of the County of Los Angeles (the "County"), State of California, for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above, on the Maturity Date set forth above, together with interest thereon from the Dated Date set forth above until the Principal Amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the Interest Rate set forth above. Interest on this Bond is payable on February 1, 2014, and semiannually thereafter on the first day of February and August (each, an "Interest Payment Date") in each year to the registered owner hereof (the "Owner") from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on January 15, 2014, in which event it shall bear interest from its date;

provided, however, that if at the time of registration of this Bond interest with respect hereto is in default, interest with respect hereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. The principal amount hereof is payable at the office of U.S. Bank National Association, as agent for the Treasurer and Tax Collector of the County, as initial paying agent (the "Paying Agent"), in Los Angeles, California. The interest hereon is payable by check or draft mailed by first class mail to each Owner, at his address as it appears on the registration books kept by the Paying Agent as of the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount of Current Interest Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date.

The Bonds of this issue are comprised of \$_____ principal amount of Current Interest Bonds, of which this Bond is a part (a "Current Interest Bond"), \$_____ Denominational Amount of Capital Appreciation Bonds and \$_____ Denominational Amount of Convertible Capital Appreciation Bonds. This Bond is issued by the District under and in accordance with the provisions of (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"); (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution, and pursuant to a resolution of the Board of Education of the District adopted on October 10, 2013 (the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the Owners of the Bonds and the rights and duties of the Paying Agent and the District, to all of the provisions of which the Owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at a general election held therein to determine whether such Bonds should be issued.

Reference is made to the Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Owners, and the terms and conditions upon which the Bonds are issued and secured. The Owner of this Bond assents, by acceptance hereof, to all of the provisions of the Resolution.

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

The Current Interest Bonds maturing on or before August 1, 20__ shall not be subject to redemption prior to their maturity dates. The Current Interest Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on August 1, 20__ or on any date thereafter as a whole, or in part. For the purposes of such selection, Current Interest Bonds will be deemed to consist of \$5,000 portions by principal amount, and any such portion may be separately redeemed.

Item 17.4 I

Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 of each year, commencing August 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date:

<u>Mandatory Sinking Fund Payment Date</u>	<u>Mandatory Sinking Fund Payment</u>
August 1, 20__	\$
August 1, 20__	
August 1, 20__	
August 1, 20__	

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

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

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

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

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Act and that all of the proceedings of the Board of Education of the District in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act, including the Constitution of the State of California, that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act, and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay Principal and interest when due.

Item 17.4 I

IN WITNESS WHEREOF, the El Rancho Unified School District has caused this Bond to be executed in their official capacities by the manual or facsimile signature of the President of the Board of Education of the District and countersigned by the manual or facsimile signature of the Clerk of the Board of Education of the District as of the date stated above.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____ [Form Document] _____
President of the Board of Education

Countersigned:

By: _____ [Form Document] _____
Clerk of the Board of Education

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

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Education of the El Rancho Unified School District.

DATED: _____, 2013

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

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

Registered Owner

Dated:

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By _____
Authorized Officer

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

**EXHIBIT A-2
FORM OF CAPITAL APPRECIATION BOND**

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

**EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010, SERIES 2013B**

\$ _____ No. _____

Accretion Rate: Maturity Date: Dated Date: CUSIP:
_____ % August 1, 20__ _____, 2012

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT:

MATURITY AMOUNT:

The El Rancho Unified School District (the "District") of the County of Los Angeles (the "County"), State of California, for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner, or registered assigns, the Maturity Amount set forth above, on the Maturity Date set forth above. Interest on this Bond with respect to the Denominational Amount hereof will accrue at the Accretion Rate per annum shown above from the Dated Date shown above and will be compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2014, until maturity, computed using a year of 360 days comprised of twelve 30-day months and shall be payable only at maturity as part of the Maturity Amount. The Maturity Amount hereof is payable at the corporate trust office of the paying agent for the Bonds, initially, U.S. Bank National Association, as agent for the Treasurer and Tax Collector of Los Angeles California, in Los Angeles, California, as paying agent (the "Paying Agent").

Item 17.4 I

The bonds of this issue are comprised of \$ _____ Denominational Amount of Capital Appreciation Bonds of which this Bond is a part (a "Capital Appreciation Bond"), \$ _____ Principal Amount of Current Interest Bonds and \$ _____ Denominational Amount of Convertible Capital Appreciation Bonds. This Bond is issued by the District under and in accordance with the provisions of (i) Article 4.5 of Title 5, Division 2, Part 1, Chapter 3 of the California Government Code (commencing with Section 15264) (the "Act"); (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution, and pursuant to that certain Resolution of the Board of Education of the District adopted on October 10, 2013 (the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the Owners of the Bonds and the rights and duties of the Paying Agent and the District, to all of the provisions of which the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at a general election held therein to determine whether such Bonds should be issued.

Reference is made to the Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Owners, and the terms and conditions upon which the Bonds are issued and secured. The Owner of this Bond assents, by acceptance hereof, to all of the provisions of the Resolution.

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

The Capital Appreciation Bonds maturing on August 1, 20___, are subject to redemption prior to their maturity dates.

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the Maturity Amount of \$5,000 or any integral multiple thereof.

This Bond is issued in fully registered form. Registration of this Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations will be issued to the transferee in exchange herefor. The District and the Paying Agent may treat the Owner hereof as the absolute owner

hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

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

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

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

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

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

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

Item 17.4 I

proceedings of the Board of Education of the District in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act, including the Constitution of the State of California, that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act, and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

IN WITNESS WHEREOF, the El Rancho Unified School District has caused this Bond to be executed in their official capacities by the manual or facsimile signature of the President of the Board of Education of the District and countersigned by the manual or facsimile signature of the Clerk of the Board of Education of the District as of the date stated above.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____ [Form Document] _____
President of the Board of Education

Countersigned:

By: _____ [Form Document] _____
Clerk of the Board of Education

Item 17.4 I

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

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Education of the El Rancho Unified School District.

DATED: _____, 2013

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

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

Registered Owner

Dated: _____

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By _____
Authorized Officer

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

EXHIBIT A-3

FORM OF CONVERTIBLE CAPITAL APPRECIATION BOND

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010, SERIES 2013B

\$ _____

No. _____

Reoffering Yield:	Interest Rate	Conversion	Maturity		
through	after the				
<u>Conversion Date</u>	<u>Conversion Date</u>	<u>Date</u>	<u>Date</u>	<u>Dated as of:</u>	<u>CUSIP</u>
%	%		August 1, ____		

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT:

CONVERSION VALUE:

The El Rancho Unified School District (the "District") of the County of Los Angeles (the "County"), State of California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above, such Maturity Value comprising the Denominational Amount and interest accreted thereon. This Bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing February 1, 2014, at the Reoffering Yield specified above to the dated Conversion Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Principal Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of

twelve 30-day months. After the Conversion Date, the District, for value received, promises to pay to the Owner (as defined herein) interest on the Accreted Value as of the Conversion Date (the "Conversion Value") until the Maturity Value (*i.e.* the Conversion Value) is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing August 1, 20__ (the first anniversary of Conversion Date). Following the Conversion Date, this Bond will bear interest on a current basis from the Conversion Date; such interest will be payable each February 1 and August 1, commencing _____, 20___. Principal (*i.e.*, Conversion Value or Maturity Value) and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this Bond (or, if applicable, one or more predecessor Bonds) is registered (the "Owner") on the register maintained by U.S. Bank National Association, as agent for the Treasurer and Tax Collector of Los Angeles County, as initial paying agent, in Los Angeles, California, paying agent, registrar and transfer agent of the District (herein called the "Paying Agent"), including its designated agents, successors and assigns acting in such capacity. Conversion Value and redemption premium, if any, are payable upon presentation and surrender of this Bond at the principal office of the Paying Agent. The Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at an election held therein to determine whether such Bonds should be issued.

The Bonds of this issue are comprised of \$_____ Denominational Amount of Convertible Capital Appreciation Bonds of which this Bond is a part (a "Convertible Capital Appreciation Bond") and the Maturity Value of \$_____, \$_____ of Denominational Amount of Capital Appreciation Bonds and \$_____ Principal Amount of Current Interest Bonds. This Bond is issued and authorized by the District under and in accordance with the provisions of (i) Article 4.5 of Title 5, Division 2, Part 1, Chapter 3 of the Government Code of the State of California, as amended (the "Act"); (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution, and pursuant to a resolution adopted by the Board of Education of the District on October 10, 2013 (the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the office of the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the Owners of the Bonds and the rights and duties of the Paying Agent and the District, to all of the provisions of which the Owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution.

Reference is made to the Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Owners, and the terms and conditions upon which the Bonds are issued and secured. The Owner of this Bond assents, by acceptance hereof, to all of the provisions of the Resolution.

The Convertible Capital Appreciation Bonds maturing on August 1, 20__ may be redeemed before maturity at the option of the District, from any source of available funds, in whole or in part, at the direction of the District, on any date on or after August 1, 20__ at a redemption price equal to the principal amount thereof, together with accrued interest to the date of redemption, without premium.

Item 17.4 I

Whenever provision is made for the redemption of the Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the Conversion Value of \$5,000 or any integral multiple thereof.

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

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

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

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

in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners.

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

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Resolution until the Certificate of Authentication below has been signed.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Act and that all of the proceedings of the Board of Education of the District in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act and of the Constitution of the State of California, that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act, and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

Item 17.4 I

IN WITNESS WHEREOF, the El Rancho Unified School District has caused this Bond to be executed in their official capacities by the manual or facsimile signature of the President of the Board of Education of the District and countersigned by the manual or facsimile signature of the Clerk of the Board of Education of the District as of the date stated above.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____ [Form Document] _____
President of the Board of Education

Countersigned:

By: _____ [Form Document] _____
Clerk of the Board of Education

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

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Education of the El Rancho Unified School District.

DATED: _____, 2013

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

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

Registered Owner

Dated:

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By _____
Authorized Officer

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

EXHIBIT B

FORM OF 15c2-12 CERTIFICATE

With respect to the proposed sale of its General Obligation Bonds, Election of 2010, Series 2013B in the maximum aggregate principal amount of not to exceed \$9,000,000, the El Rancho Unified School District (the "**District**") has delivered to you a Preliminary Official Statement, dated as of the date hereof (the "**Preliminary Official Statement**"). The District, for purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission ("**Rule 15c2-12**"), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the information permitted under Rule 15c2-12.

EL RANCHO UNIFIED SCHOOL DISTRICT

Dated: _____, 2013

By: [FORM ONLY] _____
Authorized Officer

§ _____
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

CONTRACT OF PURCHASE

November ____, 2013

El Rancho Unified School District
9333 Loch Lomond Drive
Pico Rivera, California 90660

Ladies and Gentlemen:

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

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$ _____ in aggregate principal amount of the District's General Obligation Bonds, 2010 Election, Series 2013B (the "Bonds"). The Bonds are being issued as current interest bonds ("Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds") and convertible capital appreciation bonds ("Convertible CABs"). The Bonds shall bear or accrete interest at the rates, and shall mature in the years shown on Appendix A hereto, which is incorporated herein by this reference.

The amount received from the Underwriter in exchange for the Bonds shall be \$ _____ (consisting of the \$ _____ principal amount of the Bonds, [plus/less] \$ _____ of [net] original issue [premium/discount], less an underwriter's discount of \$ _____, [less premium of a municipal bond insurance policy of \$ _____ paid to _____] (the "Insurer").

2. **The Bonds.** The Bonds shall be issued as identified on Appendix A hereto and shall be subject to redemption as described in Appendix A hereto. In all other respects the Bonds shall be as described in, and shall be issued and secured pursuant to (i) Chapter 3 of Part 1 of Division 2 of Title 5, Article 4.5 of the California Government Code, as amended; (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the

Item 17.4 I

California Constitution (together, the "Authorizing Law"), and pursuant to the provisions of the resolution of the District adopted on [October 10], 2013 (the "District Resolution"). All capitalized terms used herein without definition shall have the meanings given to them in the District Resolution.

The Bonds shall be dated the date of delivery and shall mature on the dates and in the years as shown on Appendix A hereto and be subject to optional redemption all as shown on Appendix A hereto. The Bonds shall bear or accrete interest at the rates shown in Appendix A hereto; interest on the Current Interest Bonds shall be payable each February 1 and August 1, commencing February 1, 2014; interest on the Capital Appreciation Bonds shall compound semiannually on each February 1 and August 1, commencing February 1, 2014; interest on the Convertible CABs shall compound semiannually on each February 1 and August 1 to the Conversion Date, commencing February 1, 2014, and after the Conversion Date interest on the Conversion Value shall be payable on each February 1 and August 1.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Contract of Purchase and the District Resolution. The Bonds shall be in book-entry form, shall bear CUSIP numbers, and shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). The Bonds shall initially be in authorized denominations of \$5,000 principal amount or maturity value each, respectively, or any integral multiple thereof.

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Contract of Purchase and an Official Statement (defined below), the District Resolution, the Continuing Disclosure Undertaking executed by the District (the "Continuing Disclosure Undertaking") and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

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

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Contract of Purchase is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction the Underwriter has not assumed a fiduciary responsibility in favor of the District with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters) or (y) any other obligation to the District except the obligations expressly set forth in this Contract of Purchase, and (iii) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

5. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated October __, 2013 (the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

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

6. **Closing.** At 8:30 a.m., California Time, on November __, 2013, or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us, at the offices of DTC or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and in San Francisco, California, or such other place mutually agreed upon by the Underwriter and the District, the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof as provided in Section 1.

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

(a) **Due Organization.** The District is a public instrumentality duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Authorizing Law.

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

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

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

(e) Litigation. As of the time of acceptance hereof no action, suit, proceeding, hearing or investigation is pending in which service of process has been completed against the District or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the District Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Contract of Purchase or the District Resolution or contesting the powers of the District or the District Resolution or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Contract of Purchase or the District Resolution, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of interest paid on the Bonds from California personal income taxation.

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

(g) Arbitrage Certificate. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

Item 17.4 I

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

(i) Official Statement Accurate and Complete. At the date thereof, the Preliminary Official Statement (excluding any information related to DTC and the book-entry system, information under the captions "BOND INSURANCE," "COUNTY INVESTMENT POOL" and "UNDERWRITING," and Appendix E and Appendix F, as to which no representation is made) did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the final Official Statement (excluding any information related to DTC and the book-entry system, information under the captions ["BOND INSURANCE"], "UNDERWRITING" and "COUNTY INVESTMENT POOL" or in Appendix E [,] [and] Appendix F [and Appendix H (Municipal Bond Insurance Policy)]) to the final Official Statement as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

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

(k) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Contract of Purchase is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being called the "Official Statement") in such reasonable quantities as may be requested by the Underwriter not later than seven (7) business days following the date this Contract of Purchase is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds.

(l) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect in any material respect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is twenty-five (25) days following the end of the underwriting period as defined in the Rule (the later of the Closing or the time that the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public). The end of the underwriting period shall be the Closing unless the Underwriter notifies the District to the contrary prior to or concurrently with the Closing.

(m) Amendments to Official Statement. For a period of twenty-five (25) days after the end of the underwriting period, the District will not adopt any amendment or supplement to the Official Statement to which, promptly after having been furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by the Underwriter; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which they were made, forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(n) Continuing Disclosure. The District will undertake, pursuant to the District Resolution and the Continuing Disclosure Undertaking, to provide certain annual financial information and notices of the occurrence of certain events. A description of the Continuing Disclosure Undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement as Appendix D. Except as described in the Preliminary Official Statement and the Official Statement, the District has not failed to comply in the last five years in any material respect with the terms of any continuing disclosure agreement entered into prior to the date hereof relating to the provision of annual reports in accordance with the Rule.

(o) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Auditor-Controller of the County a copy of the District Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with applicable law and policies and procedures of the County.

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

Item 17.4 I

(q) References. References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto and any supplements thereto.

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

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

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Contract of Purchase and the District Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Authorizing Law which, in the opinion of Nixon Peabody LLP, bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the District Resolution and this Contract of Purchase or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, be threatened which has any of the effects described in Section 7(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

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

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

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

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

(2) the outbreak of new or material escalation in major military hostilities by the United States or the occurrence of any other new national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

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

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

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

(6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency, other than as a result of a downgrade of the claims paying ability of an insurer of any such outstanding indebtedness;

(7) [the downgrading of the claims paying ability of the Insurer;]

(8) the suspension by the Securities and Exchange Commission of trading in the outstanding securities of the District; or

Item 17.4 I

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

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

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity of the Bonds and the tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District;

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

(3) Certificates. A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution and this Contract of Purchase to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such District official has reviewed the Official Statement and on such basis certifies that the Official Statement (excluding any information related to DTC and the book-entry system and information under the captions ["BOND INSURANCE",] "UNDERWRITING" and "COUNTY INVESTMENT POOL" or in Appendix E [,] [and] Appendix F [and Appendix H (Municipal Bond Insurance Policy)]) does not contain any untrue statement of a material fact required to be stated therein or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the District Resolution, and (vi) no further consent is required for inclusion of the District's audited financials in the Official Statement;

(4) Arbitrage. A tax and nonarbitrage certificate of the District with respect to the Bonds in form satisfactory to Bond Counsel;

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

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

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

(6) Certificate Regarding Preliminary Official Statement. A certificate signed by an appropriate official of the District to the effect that the District deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to the Rule;

(7) Insurance Policy: A certified copy of the bond insurance policy (the "Policy") guaranteeing the scheduled payment of the principal of and interest on the maturities of the Bonds and any other documents executed in connection therewith;

(8) Insurer Certificate: A certificate of the Insurer, dated the Closing Date, signed by an authorized officer of said insurer, that (i) the information contained under the caption "BOND INSURANCE" in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) the specimen of the bond insurance policy contained in Appendix H to the Official Statement is a true and correct specimen of the policy being issued by said insurer of the Insured Bonds.

(9) Insurer's Counsel Opinion. An opinion of counsel to the Insurer, dated the Closing Date, addressed to the Underwriter and in form and substance satisfactory to the Underwriter;]

(10) Ratings. A letter from Standard & Poor's, a division of the The McGraw Hill Companies, Inc. ("S&P") assigning a rating of "___" (stable outlook) to the Bonds, which rating is in full force and effect on the Closing Date;

(11) Disclosure Counsel Opinion. An opinion of Nixon Peabody LLP, Disclosure Counsel, in such form and substance as acceptable to the Underwriter;

(12) Paying Agent Authorization. Certified copies of the excerpts of the Bylaws of the Paying Agent authorizing the execution and delivery of certain documents by certain officers of the Paying Agent, which resolution authorizes the execution and delivery of the Bonds and the Paying Agent Agreement;

(13) Paying Agent Certificate. A certificate of the Paying Agent dated the Closing Date, signed by a duly authorized officer of the Paying Agent, in form and substance satisfactory to the Underwriter, to the effect that:

Item 17.4 I

(i) Due Organization and Existence – The Paying Agent is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into and perform its duties under the Paying Agent Agreement;

(ii) Corporate Action – The Paying Agent is duly authorized to enter into the Paying Agent Agreement and, when executed by the other parties thereto, the Paying Agent Agreement will constitute a legal, valid and binding obligation of the Paying Agent, enforceable in accordance with its terms;

(iii) No Conflict – The execution and delivery by the Paying Agent of the Paying Agent Agreement and compliance with the respective terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any bond, resolution or any other agreement or instrument to which the Paying Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Paying Agent or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Paying Agent.

(14) Continuing Disclosure Undertaking. An executed copy of the Continuing Disclosure Undertaking; and

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

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

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Contract of Purchase or if the Underwriter's obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase may be canceled by the Underwriter at, or at any time prior to, the time of

Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

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

10. **Expense.** The District shall pay or cause to be paid all expenses incident to the issuance of the Bonds (except as otherwise agreed to by the District), including but not limited to the following: (i) the fees and disbursements of the District's financial advisors; (ii) the fees and disbursements of Bond Counsel and Underwriter's Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds (including the cost of obtaining CUSIP numbers); (iv) the fees, if any, for Bond ratings, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the initial fees of the Paying Agent; and (vii) all other fees and expenses incident to the issuance and sale of the Bonds[, including bond insurance premium]. Such expenses may be paid from the proceeds of the Bonds. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, fees paid to the California Public Securities Association or the Securities Industry and Financial Markets Association, travel and other expenses (except as provided herein and except travel and related expenses in connection with the bond ratings) shall be paid by the Underwriter and such expenses may not be paid from the proceeds of the Bonds.

11. **Notices.** Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the District, to El Rancho Unified School District, Attention: Superintendent, 9333 Loch Lomond Drive, Pico Rivera, CA 90660, or if to the Underwriter, to George K. Baum & Company, Attention: Lynn Paquin, Executive Vice President, 555 Capitol Mall, Suite 700, Sacramento, California 95814.

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

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

Item 17.4 I

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

Very truly yours,

GEORGE K. BAUM & COMPANY

By: _____
Authorized Signatory

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

EL RANCHO UNIFIED SCHOOL
DISTRICT

By: _____
Authorized Representative

APPENDIX A

\$ _____
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

\$ _____ Current Interest Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
---	-----------------------------------	--------------------------------	--------------	--------------

\$ _____ % Current Interest Term Bonds Due August 1, 20__;
Yield: _____%; Price: \$ _____

_____]
c] Priced to a par call of August 1, 20__.]

Item 17.4 I

\$ _____ Capital Appreciation Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Maturity</u> <u>Value</u>	<u>Accretion</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ Convertible Capital Appreciation Serial Bonds

<u>Maturity</u> <u>Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Conversion</u> <u>Value</u>	<u>Accretion</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Convertible Capital Appreciation Term Bonds
Due August 1, 20 __; Yield: __%; Conversion Date: August 1, 20 __; Price: \$ _____

° Priced to a par call of [August 1, 20 __.]

REDEMPTION

Optional Redemption. The Current Interest Bonds are subject to redemption at the option of the District, as a whole or in part in the manner directed by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds are subject to redemption at the option of the District, as a whole or in part in the manner directed by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the 100% of the Accreted Value of the Capital Appreciation Bonds called for redemption at the date fixed for redemption.

The Convertible CABs are subject to redemption at the option of the District, as a whole or in part in the manner direct by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the Accreted Value if prior to conversion or Conversion Value if on or after the Conversion Date thereof, together with accrued interest to the date of redemption, without premium.

Mandatory Redemption. The Current Interest Bonds maturing on August 1, 20__ are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such Current Interest Bonds to be redeemed and the dates therefor shall be as follows:

Redemption Dates
(August 1)

Principal Amount

*

* Final Maturity

Item 17.4 I

The Convertible CABs maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Convertible CABs to be so redeemed and the dates therefor shall be as follows:

Redemption Dates
(August 1)

Conversion Value

*

* Final Maturity

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2013

NEW ISSUE—BOOK ENTRY ONLY

RATING: S&P: “__”
(See “RATING” herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on and Excess Accreted Value (as defined under “TAX MATTERS” herein) with respect to the Bonds are excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest on and Excess Accreted Value with respect to the Bonds are not treated as preference items in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on and Excess Accreted Value with respect to the Bonds will be exempt from personal income taxes of the State of California (the “State”) under present State law. Bond See “TAX MATTERS” herein regarding certain other tax considerations.

\$ _____ *

EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

\$ _____ *

EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

Dated: Date of Delivery**Due: August 1, as shown on inside cover.**

The El Rancho Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2010, Series 2013B (the “New Money Bonds”) offered hereunder by the El Rancho Unified School District (the “District”) are being issued pursuant to pertinent provisions of the Government Code of the State of California, a resolution of the Board of Education of the District adopted on October 10, 2013, and an authorization received from the District’s voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District (the “Authorization”). The New Money Bonds are being issued to finance the acquisition, construction and modernization of District facilities and to pay the costs of issuing the New Money Bonds. The New Money Bonds are the second series of bonds issued under the Authorization, following which \$ _____* of the Authorization will remain.

The El Rancho Unified School District (County of Los Angeles, California) General Obligation Refunding Bonds, Series 2013 (the “Refunding Bonds”) and together with the New Money Bonds, the “Bonds”) offered hereunder by the District are being issued pursuant to pertinent provisions of the Government Code of the State of California and a resolution of the Board of Education of the District adopted on October 10, 2013. The Refunding Bonds are being issued to refund a portion of the District’s General Obligation Bonds, Election of 2003, Series 2004, and to pay the costs of issuing the Refunding Bonds.

The New Money Bonds are being issued as current interest bonds (the “New Money Current Interest Bonds”), capital appreciation bonds (the “Capital Appreciation Bonds”) and convertible capital appreciation bonds (“Convertible Capital Appreciation Bonds”). The Refunding Bonds are being issued as current interest bonds (together with the New Money Current Interest Bonds, the “Current Interest Bonds”). The Bonds will mature on the dates and in the amounts and bear or accrete interest at the rates shown on the inside cover pages hereof. Interest on the Current Interest Bonds is payable on February 1, 2014, and semiannually thereafter on each February 1 and August 1. Principal on the New Money Current Interest Bonds is payable annually commencing on August 1, 2014. Principal on the Refunding Bonds is payable annually commencing on August 1, 2014. The Capital Appreciation Bonds will not bear current interest, but will accrete in value from their initial issue amounts (the “Denominational Amount”) to their respective accreted values on their respective maturity dates (the “Maturity Amount”). Interest on the Capital Appreciation Bonds will be compounded commencing February 1, 2014, and semiannually thereafter on each February 1 and August 1 and shall be payable only upon maturity. Prior to the applicable date that a Convertible Capital Appreciation Bond converts into a current interest bond (the “Conversion Date”), the Convertible Capital Appreciation Bonds will not pay current interest, but will accrete in value from their initial principal amounts on the date of delivery thereof to the Conversion Date (the initial principal amount plus such accretion, the “Conversion Value”). Prior to the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing February 1, 2014. No payment of interest will be made to the owners of Convertible Capital Appreciation Bonds prior to or on the Conversion Date. From and after the Conversion Date, the Convertible Capital Appreciation Bonds will pay current interest, such interest to accrue based upon the Conversion Value of the Convertible Capital Appreciation Bonds. Following the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be payable semiannually on each February 1 and August 1 thereafter, commencing on the first February 1 or August 1 after the applicable Conversion Date. See “THE BONDS” herein.

The Bonds will be issued in denominations of \$5,000 or integral multiples thereof and are payable as to principal, Maturity Amount or redemption price at the office of U.S. Bank National Association, Los Angeles, California, as dedicated agent for the Treasurer and Tax Collector of Los Angeles County, the paying agent, registrar and transfer agent (in such capacity, the “Paying Agent”). The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede &

Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry Only System."

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.* See "THE BONDS – Redemption."

The Bonds are general obligations of the District only and are not obligations of the County of Los Angeles (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal and interest or Maturity Amount on each Bond as the same becomes due and payable. The Bonds are dated their date of delivery and are issued on a parity with all other general obligation bonds of the District, including future issuances of the District's general obligation bonds authorized at subsequent elections.

As more fully described herein, the District may obtain a municipal bond insurance policy, which, if obtained, would insure the scheduled payment of principal or Maturity Amount of and interest on the Bonds when due. The District's decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Bonds.

**MATURITY SCHEDULE
(On Inside Cover)**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and certain other conditions. Nixon Peabody LLP is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Kronick, Moskovitz, Tiedemann & Girard. It is anticipated that the Bonds will be available through the facilities of DTC on or about November __, 2013.

GEORGE K. BAUM & COMPANY

Dated: November __, 2013

* Preliminary; subject to change.

MATURITY SCHEDULE*

EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
2010 ELECTION, SERIES 2013B

\$ _____ Current Interest Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(_____)†</u>
---	-----------------------------------	----------------------	--------------	---------------------------------

\$ _____ % Current Interest Term Bonds due August 1, 20 __, Yield: _____ %
CUSIP No. _____ †: _____

\$ _____ Capital Appreciation Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Maturity</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Approximate</u> <u>Yield</u>	<u>CUSIP</u> <u>(_____)†</u>
---	--	----------------------------------	---------------------------------	------------------------------------	---------------------------------

\$ _____ Convertible Capital Appreciation Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Conversion</u> <u>Value</u>	<u>Accretion</u> <u>Rate</u>	<u>Approximate</u> <u>Yield</u>	<u>CUSIP</u> <u>(_____)†</u>
---	--	-----------------------------------	---------------------------------	------------------------------------	---------------------------------

\$ _____ % Convertible Capital Appreciation Term Bonds

Due August 1, 20 __; Yield: _____ %; Conversion Date: August 1, 20 __; CUSIP No. _____ †: _____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE*

\$ _____
 EL RANCHO UNIFIED SCHOOL DISTRICT
 (COUNTY OF LOS ANGELES, CALIFORNIA)
 GENERAL OBLIGATION
 REFUNDING BONDS
 SERIES 2013

\$ _____ Current Interest Serial Bonds

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP</i> <i>(_____)†</i>
---	-----------------------------------	----------------------	--------------	---------------------------------

\$ _____ % Current Interest Term Bonds due August 1, 20__, Yield: _____ %
 CUSIP No. _____ †: _____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

The information 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. Although certain information set forth in this Official Statement has been provided by the County of Los Angeles, the County of Los Angeles has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION (AS DEFINED HEREIN) BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS IN ANY STATE.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

EL RANCHO UNIFIED SCHOOL DISTRICT
County of Los Angeles, State of California

Board of Education

Delia Alvidrez, President
Rita Jo Ramirez, Vice President
Rachel Canchola, Clerk
Alfred Renteria, Jr.
Dr. Joseph Rivera

District Administrators

Martin Galindo, Superintendent
Leticia Covarrubias, Chief Business Officer

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Underwriter

George K. Baum & Company
Sacramento, California

Paying Agent

U.S. Bank National Association, as agent for the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore, P.C.
Denver, Colorado

TABLE OF CONTENTS

Page	Page		
INTRODUCTION.....	1	Direct and Overlapping Bonded Debt.....	19
PLAN OF FINANCE.....	2	BOND INSURANCE.....	21
PLAN OF REFUNDING.....	2	CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.....	21
THE BONDS.....	3	COUNTY INVESTMENT POOL.....	26
Authority for Issuance and Security for the Bonds.....	3	TAX MATTERS.....	27
Description of the Bonds.....	3	Federal Income Taxes.....	27
Redemption.....	5	State Taxes.....	28
Selection of Bonds for Redemption.....	6	Original Issue Discount.....	28
Notice of Redemption.....	7	Original Issue Premium.....	28
Partial Redemption of Bonds.....	7	Ancillary Tax Matters.....	28
Effect of Notice of Redemption.....	7	Changes in Law and Post Issuance Events.....	29
Transfer and Exchange.....	8	LEGAL OPINION.....	29
Debt Service Schedule.....	9	LEGALITY FOR INVESTMENT.....	29
Discharge and Defeasance.....	9	RATING.....	30
Book-Entry Only System.....	10	CONTINUING DISCLOSURE.....	30
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	10	UNDERWRITING.....	30
General.....	10	FINANCIAL ADVISOR.....	31
<i>Ad Valorem</i> Property Taxes.....	10	NO LITIGATION.....	31
The Teeter Plan.....	11	OTHER INFORMATION.....	32
Unitary Taxation for Utility Property.....	11		
Assessed Valuation.....	12		
Limitations on Remedies.....	14		
Commingling Risks.....	16		
Tax Levies and Delinquencies.....	16		
Tax Rates.....	17		
Largest Taxpayers.....	18		
Certain Existing Obligations.....	19		

**TABLE OF CONTENTS
(continued)**

	Page
APPENDIX A FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT	A-1
APPENDIX B FORM OF BOND COUNSEL OPINIONS	B-1
APPENDIX C AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE UNDERTAKING	D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F THE LOS ANGELES COUNTY TREASURY POOL	F-1
APPENDIX G ACCRETED VALUES TABLE	G-1

\$ _____^{*}
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2010,
SERIES 2013B

\$ _____^{*}
EL RANCHO UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION
REFUNDING BONDS
SERIES 2013

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevancy, materiality or relative importance, and this Official Statement, including the cover page, inside cover pages and appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Resolution (as defined herein).

El Rancho Unified School District (the "District"), a unified school district of the State of California (the "State"), proposes to issue \$ _____^{*} aggregate principal or denominational amount of its General Obligation Bonds, Election of 2010, Series 2013B (the "New Money Bonds"), pursuant to (i) the provisions of Section 53506 of the California Government Code, applicable provisions of the California Education Code and other applicable laws and regulations of the State (the "New Money Act"), (ii) a resolution of the Board of Education of the District (the "Board") adopted on October 10, 2013 (the "New Money Resolution"), and (iii) an authorization received from the District's voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are the second series of bonds under the Authorization, following which \$ _____^{*} of the Authorization will remain.

The District proposes to issue \$ _____^{*} aggregate principal amount of its General Obligation Refunding Bonds, Series 2013 (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds"), pursuant to (i) Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, Articles 9 and 11, as amended, applicable provisions of the California Education Code and other applicable laws and regulations of the State (the "Refunding Act" and together with the New Money Act, the "Act"), and (ii) a resolution of the Board adopted on October 10, 2013 (the "Refunding Resolution" and together with the New Money Resolution, the "Resolution").

All general obligation bonds issued by or on behalf of the District are issued on a parity with the Bonds and with each other. See "THE BONDS – Debt Service Schedule" for a summary of the District's outstanding general obligation bonds.

The New Money Bonds will be issued in the form of current interest bonds ("New Money Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds") and convertible capital appreciation bonds ("Convertible Capital Appreciation Bonds"). The Refunding Bonds will be issued in the form of current interest bonds (together with the New Money Current Interest Bonds, the "Current Interest Bonds"). See "THE BONDS – Description of the Bonds" below. Proceeds from the sale of the New Money Bonds will be used to (i) finance the acquisition, construction and modernization of

^{*} Preliminary; subject to change.

Item 17.4 I

District facilities, and (ii) pay costs of issuance of the New Money Bonds. See "PLAN OF FINANCE." Proceeds from the sale of the Refunding Bonds will be used to (i) redeem a portion of the outstanding El Rancho Unified School District General Obligation Bonds, Election of 2003, Series 2004 (the "2004 Bonds") and (ii) pay costs of issuance of the Refunding Bonds. See "PLAN OF REFINANCE."

The District was established as a unified school district in 1963. Located in the County of Los Angeles (the "County"), the District is situated approximately eleven miles southeast of downtown Los Angeles, and encompasses approximately eight square miles within the City of Pico Rivera. The District provides elementary, junior high and high school facilities for students in kindergarten through grade twelve (K-12). The District operates eight elementary schools, three junior high schools school, one high school, one continuation school and one adult school. The District has certain direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – District Debt" herein. The District's audited financial statements for the fiscal year ended June 30, 2012 (the "Audit") are attached hereto as APPENDIX C. For further information concerning the District, see APPENDICES A and C attached hereto.

PLAN OF FINANCE

The net proceeds of the New Money Bonds will be used to finance the acquisition, construction, modernization, furnishing and equipping of school facilities as approved by the voters of the District pursuant to the Authorization. Through the Authorization, the voters of the District approved the use of New Money Bond proceeds to construct and improve local schools and student support facilities, improve student access to computers and classroom technology, build vocational technical classrooms, provide improvements to better maintain schools and provide renewable energy improvements to reduce annual operating costs. The net proceeds of the New Money Bonds will also be used to pay certain costs of issuance of the New Money Bonds.

PLAN OF REFUNDING

Proceeds of the Refunding Bonds will be used to fund an escrow fund (the "Escrow Fund") established pursuant to an Escrow Agreement by and between the District and U.S. Bank National Association as the escrow agent (the "Escrow Agent"), for the purpose of paying principal, interest and redemption price on the 2004 Bonds maturing on August 1, 20__ through August 1, 20__ (the "Prior Bonds") (the "Escrow Agreement").

The Escrow Fund will be held by the Escrow Agent and amounts in the Escrow Fund will be held in cash or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) 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 "Code") and applicable regulations promulgated thereunder 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 Refunding Bonds. The Escrow Agreement will irrevocably direct the Escrow Agent to pay interest on the Prior Bonds as such amounts become due and payable prior to August 1, 2014 (the "Redemption Date"), and to redeem the Prior Bonds maturing after such date at the redemption price of 100% of the principal amount of such Prior Bonds, without premium, plus all interest payments due to and including the Redemption Date, including all interest accrued but not yet paid, if any. A portion of the proceeds of the Refunding Bonds will be used to pay certain costs of issuance of the Refunding Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	New Money Bonds	Refunding Bonds
Bond Proceeds	\$ _____	\$ _____
Original Issue Premium/Discount	_____	_____
Total Sources:	\$ _____	\$ _____
Uses:		
Deposit to Building Fund	\$ _____	\$ --
Deposit to Debt Service Fund	_____	_____
Deposit to Escrow Fund	_____	_____
Costs of Issuance Fund ⁽¹⁾	_____	_____
Total Uses:	\$ _____	\$ _____

⁽¹⁾ Includes Underwriter's discount, fees and disbursements of legal counsel, fees and disbursements of the Financial Advisor, the Paying Agent, the Escrow Agent, the Verification Agent, costs of the insurance policy, if any, and a portion of the other costs incurred in connection with issuance and delivery of the Bonds.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The District received authorization to issue \$52,000,000 of its general obligation bonds at an election held on November 2, 2010, by more than fifty-five percent of the votes cast by eligible voters within the District. The New Money Bonds are being issued by the District under the New Money Act and other applicable laws and regulations of the State, and pursuant to the New Money Resolution and the Authorization. The New Money Bonds represent the second series of bonds issued under the Authorization, following which \$_____ * of the Authorization will remain. The Refunding Bonds are being issued by the District under the Refunding Act and other applicable laws and regulations of the State, and pursuant to the Refunding Resolution.

All general obligation bonds issued by the District are issued on a parity with one another, and hence, with the Bonds offered hereunder. The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal and Maturity Amount (defined below) of and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof; the Capital Appreciation Bonds will be issued in initial amounts ("Denominational Amounts") corresponding to \$5,000 accreted value at maturity ("Maturity Amount") or any integral multiple thereof; and the Convertible Capital Appreciation Bonds will be issued in Denominational Amounts corresponding to \$5,000 accreted value at the date the Convertible Capital Appreciation Bond converts to a current interest bond (the "Conversion Date") ("Conversion Value"); will mature on the dates and in the amounts and bear or accrete interest at the rates per annum all as set forth on the inside cover pages of this Official Statement.

* Preliminary; subject to change.

Item 17.4 I

Interest on the Current Interest Bonds will be payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2014, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is a day during the period from the sixteenth day of the month next preceding any Interest Payment Date to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or prior to January 15, 2014, in which event it shall bear interest from the delivery date of the Bonds, provided, however, that if as of the date of authentication of any Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Capital Appreciation Bonds will not bear current interest, but will accrete in value from their Denominational Amounts to their respective Maturity Amounts on their respective maturity dates on the basis of a constant interest rate (with straight line interpolations between compounding interest dates) compounded commencing February 1, 2014, and semiannually thereafter on February 1 and August 1 in each year and shall be payable only upon maturity. The Maturity Amount of the Capital Appreciation Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Attached as APPENDIX G is a table of accreted values for the Capital Appreciation Bonds that have been computed as of each February 1 and August 1 per \$5,000 of Maturity Amount, based upon the accretion rates of such Bonds as set forth on the inside cover pages hereto and upon the nominal interest rates of the Capital Appreciation Bonds. See APPENDIX G – "ACCRETED VALUES TABLE." The Capital Appreciation Bonds mature on August 1 in the years and amounts set forth on the inside cover pages hereto.

Prior to the applicable Conversion Date set forth on the inside cover hereof, the Convertible Capital Appreciation Bonds will not pay current interest but will accrete in value from their initial principal amount on the date of delivery thereof to the Conversion Date. Prior to the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing February 1, 2014. No payment of interest will be made to the registered owners of Convertible Capital Appreciation Bonds prior to or on the Conversion Date. From and after the applicable Conversion Date, the Convertible Capital Appreciation Bonds will pay current interest, such interest to accrue based upon the Conversion Value of the Convertible Capital Appreciation Bonds. Following the applicable Conversion Date, interest on the Convertible Capital Appreciation Bonds will be payable semiannually on each February 1 and August 1, commencing on the first February 1 or August 1 occurring after the applicable Conversion Date. Interest will accrue and be compounded on the basis of a 360-day year comprised of twelve 30-day months.

Unless otherwise provided herein, the descriptions herein of Capital Appreciation Bonds apply to Convertible Capital Appreciation Bonds prior to the Conversion Date, and descriptions herein of Current Interest Bonds apply to Convertible Capital Appreciation Bonds from and after the Conversion Date.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined in APPENDIX E hereto) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, principal amount or Maturity Amount of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by U.S. Bank National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to its participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "Book-Entry Only System" herein.

Redemption*

Optional Redemption of the New Money Bonds. The New Money Current Interest Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their fixed maturity dates. The New Money Current Interest Bonds maturing on and after August 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 20__, as a whole or in part, at a redemption price equal to the principal amount of the New Money Current Interest Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their fixed maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 20__, as a whole or in part, at a redemption price equal to the 100% of the Accreted Value of the Capital Appreciation Bonds called for redemption at the date fixed for redemption.

The Convertible Capital Appreciation Bonds are subject to redemption at the option of the District, as a whole or in part in the manner direct by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the Accreted Value if prior to conversion or Conversion Value if on or after the Conversion Date thereof, together with accrued interest to the date of redemption, without premium.

Optional Redemption of the Refunding Bonds. The Refunding Bonds are subject to redemption at the option of the District, as a whole or in part in the manner directed by the District and by lot within each maturity, from any source of available funds, on or after August 1, 20__, or on any date thereafter, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of New Money Bonds. The New Money Current Interest Bonds maturing on August 1, 20__ are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such New Money Current Interest Bonds to be redeemed and the dates therefor shall be as follows:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
_____	_____

⁽¹⁾ Maturity.

* Preliminary; subject to change.

Item 17.4 I

The Convertible Capital Appreciation Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Convertible Capital Appreciation Bonds to be so redeemed and the dates therefor shall be as follows:

Redemption Dates (August 1)	<u>Conversion Value</u>
--------------------------------	-------------------------

*

* Final Maturity

The principal amount of New Money Bonds to be redeemed in each year shown (the "New Money Term Bonds") above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the New Money Term Bonds optionally redeemed prior to the mandatory sinking fund payment date.

Mandatory Sinking Fund Redemption of Refunding Bonds. The Refunding Bonds maturing on August 1, 20__ (the "Refunding Term Bonds") are subject to mandatory redemption prior to their stated maturity, in part, from mandatory sinking fund account payments, on each August 1st, commencing August 1, 20__, at the principal amount represented thereby plus accrued interest to the date fixed for redemption, without premium. The principal amount of such Refunding Bonds to be redeemed and the dates therefor shall be as follows:

Redemption Dates (August 1)	<u>Principal Amount</u>
--------------------------------	-------------------------

*

* Final Maturity

The principal amount of Refunding Term Bonds to be redeemed in each year shown above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the Refunding Term Bonds optionally redeemed prior to the mandatory sinking fund payment date.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds of a series and less than all outstanding Bonds of that series are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such manner as the District shall direct. Within a maturity, the Paying Agent shall select Bonds of that series for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, *however*, that the portion of any Bond to be redeemed in part shall be in the principal amount or Maturity 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 given at least 60 days prior to the date designated for such redemption, shall give notice (each, "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest or accretion rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (A) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed (i) the redemption price, together with the interest accrued to the redemption date in the case of Current Interest Bonds or Convertible Capital Appreciation Bonds after the Conversion Date, (ii) the Accreted Value in the case of Capital Appreciation Bonds, or (iii) the Conversion Value in the case of Convertible Capital Appreciation Bonds before the Conversion Date, and (b) that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The Paying Agent shall take the following actions with respect to each Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to the Securities Depository; (iii) in the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the Municipal Securities Rulemaking Board ("MSRB").

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

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the 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 Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

Item 17.4 I

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

Transfer and Exchange

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

No transfer or exchange of any Bond shall be required during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the 15th day next preceding a date for which such Bond has been selected for redemption in whole or in part.

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Debt Service Schedule

The following table summarizes the debt service requirements of the District for all its outstanding general obligation bonds and the Bonds:

Year Ending (August 1)	Outstanding General Obligation Bonds ⁽¹⁾	The Bonds				Aggregate Debt Service
		New Money Bonds Principal / Maturity Value	New Money Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest	
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
Total						

⁽¹⁾ Represents all outstanding general obligation bonds of the District.

Discharge and Defeasance

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

- (a) by paying or causing to be paid the principal, premium, if any, and interest or the Maturity Value on all Bonds Outstanding, and when the same become due and payable;

Item 17.4 I

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

(c) by depositing with an institution to act as escrow agent that meets the requirements of serving as successor Paying Agent pursuant to such Resolution selected by the District, 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 Code and 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 Bonds, in such amount as will, together with the interest to accrue thereon 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 Bonds outstanding and designated for defeasance at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

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

Book-Entry Only System

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District only and are not obligations of the County, the State or any of its other political subdivisions. 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 County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of principal of interest on the Bonds. All general obligation bonds issued by or on behalf of the District are issued on a parity with one another.

***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. 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 with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. 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.

The County levies and collects all property taxes for property falling within its taxing boundaries.

The Teeter Plan

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds comprising Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (the "Teeter Plan"). Under the Teeter Plan, local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

Unitary Taxation for Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction. In each county there is one county-wide tax rate area with the assessed value of all unitary and operating non-unitary property being assigned to this tax rate area. The

Item 17.4 I

result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions.

Assessed Valuation

California law exempts from taxation \$7,000 of the assessed valuation of an owner-occupied dwelling. State law also exempts 100 percent of the value of business inventories from taxation. State law provides for reimbursements to local agencies based on their share of the revenues derived from the application of the maximum tax rate applied to business inventories, with adjustments to reflect increases in population and the consumer price index.

Revenue estimates to be lost to local taxing agencies due to such exemptions is reimbursed from State sources. Such reimbursements are based upon total taxes due upon such exempt values and are not reduced by any amount for estimated delinquencies.

The District's fiscal year 2013-14 total assessed valuation is \$3,887,030,167. The summary on the following page shows a six-year history of the total secured and unsecured assessed property valuations of property within the District. The fiscal year 2013-14 total assessed valuation is 3.09% higher than the fiscal year 2012-13 total assessed valuation indicated in the following summary.

EL RANCHO UNIFIED SCHOOL DISTRICT Assessed Valuation 2008-09 Through 2013-14

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$3,577,803,768	\$1,217,834	\$179,524,718	\$3,758,546,320
2009-10	3,482,818,537	1,144,286	190,807,545	3,674,770,368
2010-11	3,447,651,454	1,237,826	186,416,063	3,635,305,343
2011-12	3,526,145,312	1,237,826	174,397,676	3,701,780,814
2012-13	3,597,695,737	1,237,826	171,615,782	3,770,549,345
2013-14	3,729,580,008	1,169,541	156,280,618	3,887,030,167

Source: California Municipal Statistics, Inc.

**EL RANCHO UNIFIED SCHOOL DISTRICT
2013-14 Assessed Valuation and Parcels by Land Use**

	<u>2013-14 Assessed Valuation</u> ⁽¹⁾	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<u>Non-Residential:</u>				
Commercial	\$ 507,732,491	13.61%	369	2.63%
Vacant Commercial	840,852	0.02	9	0.06
Industrial	547,674,828	14.68	237	1.69
Vacant Industrial	15,092,965	0.40	73	0.52
Recreational	3,208,533	0.09	8	0.06
Government/Social/Institutional	<u>9,996,784</u>	<u>0.27</u>	<u>177</u>	<u>1.26</u>
Subtotal Non-Residential	\$1,084,546,453	29.08%	873	6.21%
 <u>Residential:</u>				
Single Family Residence	\$2,271,088,643	60.89%	11,991	85.33%
Condominium/Townhouse	99,019,900	2.65	484	3.44
Mobile Home Park	8,209,553	0.22	11	0.08
2-4 Residential Units	85,821,469	2.30	315	2.24
5+ Residential Units/Apartments	159,466,332	4.28	83	0.59
Vacant Residential	<u>21,427,658</u>	<u>0.57</u>	<u>296</u>	<u>2.11</u>
Subtotal Residential	\$2,645,033,555	70.92%	13,180	93.79%
 Total	 \$3,729,580,008	 100.00%	 14,053	 100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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EL RANCHO UNIFIED SCHOOL DISTRICT
Per Parcel 2013-14 Assessed Valuation of Single-Family Homes

	<u>No. of Parcels</u>	<u>2013-14 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	11,991	\$2,271,088,643	\$189,399	\$202,530

<u>2013-14 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	9	0.075%	0.075%	\$ 191,506	0.008%	0.008%
\$25,000 - \$49,999	1,129	9.415	9.490	51,059,083	2.248	2.257
\$50,000 - \$74,999	1,644	13.710	23.201	98,399,078	4.333	6.589
\$75,000 - \$99,999	615	5.129	28.330	53,107,682	2.338	8.928
\$100,000 - \$124,999	503	4.195	32.524	56,666,144	2.495	11.423
\$125,000 - \$149,999	512	4.270	36.794	70,430,866	3.101	14.524
\$150,000 - \$174,999	592	4.937	41.731	96,607,093	4.254	18.778
\$175,000 - \$199,999	876	7.305	49.037	165,141,963	7.271	26.049
\$200,000 - \$224,999	1,076	8.973	58.010	228,557,577	10.064	36.113
\$225,000 - \$249,999	1,139	9.499	67.509	270,483,002	11.910	48.023
\$250,000 - \$274,999	1,165	9.716	77.225	305,719,523	13.461	61.484
\$275,000 - \$299,999	1,044	8.707	85.931	299,146,150	13.172	74.656
\$300,000 - \$324,999	822	6.855	92.786	255,731,083	11.260	85.917
\$325,000 - \$349,999	411	3.428	96.214	137,902,948	6.072	91.989
\$350,000 - \$374,999	199	1.660	97.873	71,837,862	3.163	95.152
\$375,000 - \$399,999	85	0.709	98.582	32,793,198	1.444	96.596
\$400,000 - \$424,999	59	0.492	99.074	24,283,891	1.069	97.665
\$425,000 - \$449,999	40	0.334	99.408	17,420,582	0.767	98.432
\$450,000 - \$474,999	26	0.217	99.625	11,983,901	0.528	98.960
\$475,000 - \$499,999	20	0.167	99.792	9,672,411	0.426	99.386
\$500,000 and greater	25	0.208	100.000	13,953,100	0.614	100.000
Total	11,991	100.000%		\$2,271,088,643	100.000%	

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

Limitations on Remedies

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

State law limits the filing of bankruptcy proceedings by school districts, such as the District, to specified circumstances. The District believes that the State Superintendent of Schools would have to

appoint an administrator for the District and the administrator would determine whether or not the District should file for bankruptcy relief. The District can provide no assurance, however, that a bankruptcy court would agree with the District's interpretation of the law.

If the District were to become a debtor in a bankruptcy case, it would be a debtor under Chapter 9 of the Bankruptcy Code.

If the *ad valorem* tax revenues that fund the Bonds are "special revenues" under Chapter 9, then *ad valorem* revenues collected after the date of the bankruptcy filing should be subject to the lien of the Bonds (subject to the risks of commingling discussed below). The District believes that the *ad valorem* taxes are special revenues, but the District can give no assurance that a bankruptcy court will agree with the District's interpretation of the law. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. It is possible that a bankruptcy court would conclude that the *ad valorem* tax is a general property tax levied to finance the general purposes of the District, and thus that the *ad valorem* tax revenues are not special revenues.

Chapter 9 also provides that a Chapter 9 petition does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that the *ad valorem* taxes must be used to pay principal and interest on the Bonds. The District believes that this law would be respected in any bankruptcy proceeding, so that the *ad valorem* tax revenues could not be used by the District for any purpose other than to make payments on the Bonds. However, there are very few court decisions as to the precise meaning of this provision of Chapter 9, so no assurance can be given that a bankruptcy court would not conclude otherwise.

If it were to be determined that the *ad valorem* tax revenues are not special revenues, then the lien of the Bonds likely will not attach to any *ad valorem* tax revenues collected after the date of the bankruptcy filing. If it is also determined that the *ad valorem* tax revenues can be used for other purposes, then it is not clear whether the Owners of the Bonds would be treated as general unsecured creditors of the District or whether the Owners of the Bonds would have no further claim against any assets of the District. Under any circumstance, the bankruptcy court may determine that the District is entitled to use *ad valorem* tax revenues to pay the necessary operating expenses of the District and its schools prior to paying debt service on the Bonds, regardless of the provisions of the Resolution.

If the District is in a Chapter 9 bankruptcy proceeding, parties may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, unless the bankruptcy court grants permission to take such action. This prohibition may also prevent the Paying Agent from making payments to the Owners of the Bonds from funds in the Paying Agent's possession. Though the Treasurer has agreed that it will pay the *ad valorem* tax revenues directly to the Paying Agent, so that the District never receives them, it is not clear whether this arrangement is enforceable in bankruptcy or whether the District will instead be able to require that *ad valorem* tax revenues be paid directly to it by the Treasurer.

In the event of a District bankruptcy filing, the District may be able to borrow additional money that is secured by a lien on any of its property (including the *ad valorem* tax revenues), which lien could have priority over the lien of the Bonds, as long as the bankruptcy court determines that the rights of the Owners of the Bonds will be adequately protected. The District may also be able to cause some of the *ad valorem* tax revenues to be released to it, free and clear of lien of the Bonds, as long as the bankruptcy court determines that the rights of the Owners of the Bonds will be adequately protected.

Item 17.4 I

The District may be able, without the consent and over the objection of the Paying Agent and the Owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Resolution and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted (see APPENDIX A – “PENSION PLANS”), the District is informed that the State Teachers’ Retirement System (“STRS”) has unfunded liabilities. In a bankruptcy of the District, the amounts of current and, if any, accrued (unpaid) contributions owed to STRS, the California Public Employees’ Retirement System (“CalPERS”) or any other pension system (collectively the “Pension Systems”), as well as future material increases in required contributions, could create additional uncertainty as to the District’s ability to pay debt service on the Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State of California and have the right to enforce payment by injunction or other proceedings outside of a District bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of the District would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding of the District, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

Commingling Risks

The Treasurer may commingle *ad valorem* tax revenues that it receives on behalf of the District with other funds, before it turns over the *ad valorem* tax revenues to the Paying Agent. As a result, the Paying Agent and the Owners of the Bonds may not have a lien on such commingled *ad valorem* tax revenues and the Treasurer may fail, or be unable, to turn over to the Paying Agent any *ad valorem* tax revenues that are in its possession and have been commingled with other moneys. *Ad valorem* tax revenues that have been commingled with other moneys may no longer be subject to the State law that requires *ad valorem* tax revenues to be used by the District to pay principal and interest on the Bonds. Under any of such circumstances, there could be delays or reductions in payments on the Bonds.

Tax Levies and Delinquencies

Taxes will be collected by the County Treasurer and Tax Collector for property falling within the District’s taxing boundaries. Taxes and assessments on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable on March 1 and become delinquent the following August 31. The following table lists the secured tax charges and delinquencies for the District for fiscal years 2007-08 through 2012-13.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$6,995,814.29	\$347,205.44	4.96%
2008-09	7,361,548.47	342,588.08	4.65
2009-10	7,187,930.46	244,670.98	3.40
2010-11	7,143,498.62	170,069.15	2.38
2011-12	7,305,161.23	151,203.56	2.07
2012-13	7,477,889.81	133,406.10	1.78

	<u>Secured Tax Charge⁽²⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$2,701,714.97	\$195,542.61	7.24%
2008-09	2,880,201.71	167,401.49	5.81
2009-10	2,912,634.75	87,279.28	3.00
2010-11	3,122,510.55	63,317.66	2.03
2011-12	3,445,063.96	58,327.14	1.69
2012-13	3,554,799.81	45,139.82	1.27

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds.
⁽²⁾ Bond debt service levy only.
 Source: California Municipal Statistics, Inc.

Tax Rates

The table below sets forth typical tax rates levied in Tax Rate Area 7978 from fiscal year 2008-09 to fiscal year 2013-14.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates Per \$100 of Assessed Valuation (TRA 7978)⁽¹⁾**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
El Rancho Unified School District	.081074	.085270	.091605	.097996	.099851	.095708
Rio Hondo Community College Dist.	.023197	.027144	.034387	.034180	.028122	.028917
Metropolitan Water District	.004300	.004300	.003700	.003700	.003500	.003500
Total Tax Rate	1.108571	1.116714	1.129692	1.135876	1.131473	1.128125

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest taxpayers in the District as shown on the 2013-14 secured tax roll and the approximate amounts of their aggregate level for all taxing jurisdictions within the District are shown below. These twenty largest taxpayers have a 2013-14 local secured assessed valuation of \$3,729,580,008, or 13.41% of the District's 2013-14 local secured assessed valuation.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Largest 2013-14 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>2013-14 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1.	Vestar California XXVI LLC	Shopping Center	\$ 68,889,447	1.85%
2.	Majestic AMB Pico Rivera Associates LLC	Industrial	41,785,092	1.12
3.	Wal-Mart Real Estate Business Trust	Shopping Center	30,406,973	0.82
4.	Princeton Medical Holdings	Shopping Center	28,442,000	0.76
5.	General American Life Insurance Company	Industrial	27,664,017	0.74
6.	GGF Pico Rivera LLC	Shopping Center	26,707,159	0.72
7.	Bakemark USA LLC	Industrial	25,829,328	0.69
8.	Showprop Pico Rivera LLC	Shopping Center	25,317,364	0.68
9.	Public Storage Inc.	Industrial	21,734,943	0.58
10.	TRF Crossroads LLC	Shopping Center	21,621,272	0.58
11.	Guardian Life Insurance Company of America	Industrial	21,103,230	0.57
12.	Shade Family Properties Inc.	Shopping Center	20,640,684	0.55
13.	Dav C. Bacara LLC	Apartments	20,616,387	0.55
14.	Rex Road LLC	Industrial	20,320,820	0.54
15.	Target Corporation	Commercial	20,145,308	0.54
16.	Rosemead Place LLC	Apartments	18,147,847	0.49
17.	Iron Mountain Information Management LLC	Industrial	16,600,000	0.45
18.	Howards Appliances Inc.	Industrial	15,424,956	0.41
19.	Lowes HIW Inc.	Shopping Center	14,359,057	0.39
20.	Stealth Holdings LLC	Industrial	14,238,425	0.38
			<u>\$499,994,309</u>	<u>13.41%</u>

⁽¹⁾ 2012-13 Local Secured Assessed Valuation: \$3,729,580,008.
Source: California Municipal Statistics, Inc.

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Certain Existing Obligations

A schedule of the District's outstanding long-term debt for the year ended June 30, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance July 1, 2012	Due in One Year
General obligation bonds	\$ 66,421,091	\$ 1,969,473	\$ 1,885,000	\$ 66,505,564	\$ 2,145,000
Premium on issuance	2,271,911	-	116,243	2,155,668	-
Capital leases	115,555	-	56,826	58,729	58,729
Child care facilities revolving fund	317,934	-	90,000	227,934	90,000
CalSTRS Golden Handshake	350,245	-	350,245	-	-
Claims liability	414,963	1,292,479	1,076,308	1,076,308	631,134
Accumulated vacation - net	1,254,332	-	127,916	127,916	-
Other postemployment benefits	1,544,910	-	1,124,421	2,486,017	-
Total	\$ 72,690,941	\$ 5,327,480	\$ 4,826,959	\$ 73,191,462	\$ 2,924,863

Source: The District.

Direct and Overlapping Bonded Debt

The following table is a statement of the District's direct and estimated overlapping bonded debt as of 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 representation 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 in whole or in part. 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.

Column 1 in the table names each public agency which 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.

**EL RANCHO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2013-14 Assessed Valuation: \$3,887,030,167

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 10/1/13</u>
Los Angeles County Flood Control District	0.347%	\$ 68,602
Metropolitan Water District	0.180	297,153
Rio Hondo Community College District	12.873	21,125,006
El Rancho Unified School District	100.	53,464,867⁽²⁾
Los Angeles County Regional Park and Open Space Assessment District	0.346	393,108
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$75,348,736
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.346%	\$ 5,888,663
Los Angeles County Superintendent of Schools Certificates of Participation	0.346	32,973
City of Montebello General Fund Obligations	0.003	1,100
City of Pico Rivera General Fund Obligations	95.902	30,415,319
Los Angeles County Sanitation District No. 2 Authority	7.855	1,707,786
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$38,045,841
Less: Los Angeles County General Fund Obligations supported by landfill revenues		19,002
City of Montebello supported obligations		576
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$38,026,263
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$31,783,628
 GROSS COMBINED TOTAL DEBT		\$145,178,205⁽³⁾
NET COMBINED TOTAL DEBT		\$145,158,627

(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 (\$53,464,867)	1.38%
Total Direct and Overlapping Tax and Assessment Debt.....	1.94%
Gross Combined Total Debt.....	3.73%
Net Combined Total Debt	3.73%

Ratios to Redevelopment Incremental Valuation (\$808,618,729):

Total Overlapping Tax Increment Debt.....	3.93%
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Source: California Municipal Statistics, Inc.

BOND INSURANCE

The District may obtain a municipal bond insurance policy which, if obtained, would insure the scheduled payment of principal of and interest on the Bonds when due. The District's decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Bonds.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The primary source of revenue for the payment of the Bonds will be *ad valorem* tax levies. Accordingly, the following information concerning the funding of District operations, and its General Fund and budgets, is provided for background only. See APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – State Funding of Education" attached hereto.

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

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

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

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

Article XIII B of the California Constitution. In 1979, an initiative added Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations

of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a

unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 1A. Proposition 1A (SCA 4) ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

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

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

its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

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

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

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

COUNTY INVESTMENT POOL

The Treasurer and Tax Collector (the "Treasurer") of the County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of July 31, 2013, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Board of Supervisors of the County on an annual basis.

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

For a further discussion of the Treasury Pool, see APPENDIX F – "THE LOS ANGELES COUNTY TREASURY POOL" herein. *Neither the District nor its advisors have made an independent investigation of the investments in the Treasury Pool and neither has made an assessment or investigation of the current County Investment Policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates*

and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Current Interest Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In addition, Bond Counsel is of the opinion that the excess of Accreted Value of any Capital Appreciation Bond over the initial principal amount thereof, to the extent that such excess represents interest properly allocated to the Owner of such Capital Appreciation Bond (the "Excess Accreted Value"), is excluded from gross income for federal income tax purposes. Unless otherwise provided herein, the descriptions herein of Capital Appreciation Bonds apply to Convertible Capital Appreciation Bonds prior to the Conversion Date, and descriptions herein of Current Interest Bonds apply to Convertible Capital Appreciation Bonds from and after the Conversion Date. Bond Counsel is also of the opinion that such interest on and Excess Accreted Value with respect to the Bonds are not treated as preference items in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on and Excess Accreted Value with respect to the Bonds are, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The increases in Accreted Value with respect to Capital Appreciation Bonds are includable in adjusted current earnings as they accrue semiannually rather than at the time such Accreted Value is actually paid to and received by the Owners of the Capital Appreciation Bonds. Increases in Accreted Value occur each semiannual period in the amount of interest which accrued semiannually during such period on the Accreted Value as of the beginning of such period. An Owner's adjusted basis in a Capital Appreciation Bond, used to determine the amount of gain or loss on disposition of such Capital Appreciation Bond, will be equal to the Accreted Value as of the date of calculation.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on and Excess Accreted Value with respect to the Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

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

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the New Money Bonds maturing August 1, ____ through August 1, _____, inclusive and on August 1, _____, and the Refunding Bonds maturing August 1, _____ through August 1, _____, inclusive and on August 1, _____ (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The New Money Bonds maturing on August 1, ____ through August 1, _____, inclusive and the Refunding Bonds maturing on August 1, _____ through August 1, _____, inclusive (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Bonds

may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

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

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

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on and Excess Accreted Value with respect to the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012 and in 2013, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on or Excess Accreted Value with respect to the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon or Excess Accreted Value with respect thereto, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

LEGAL OPINION

The legal opinion of Bond Counsel attesting to the validity of the Bonds will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds, and undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

LEGALITY FOR INVESTMENT

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

RATING

Standard & Poor's Ratings Service, a Standard and Poor's LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. Such rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained as follows: S&P's at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is 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 agencies, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto.

Previously, the District failed to file certain notices of material events with respect to certain ratings changes in connection with the downgrade of the bond insurance providers of its outstanding bonds. In addition, the District previously failed to timely file its annual reports for fiscal years 2007-08, 2008-09 and 2011-12, and failed to include certain required information in its annual reports, which information was required in order for the District to be in compliance with certain previous undertakings with regards to the Rule. The District remedied these issues on or before [_____], and the District believes it has now made current all filings required during the last five years.

UNDERWRITING

George K. Baum & Company, as Underwriter (the "Underwriter"), has agreed to purchase the New Money Bonds from the District at the purchase price of \$_____ (being the initial principal issue amount of the New Money Bonds, plus [net] original issue premium/discount of \$_____, less amounts to be used to pay certain costs of issuance of \$_____, and less Underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof. The Contract of Purchase between the Underwriter and the District (the "New Money Contract of Purchase") for the New Money Bonds requires that the Underwriter will purchase all of the New Money Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the New Money Contract of Purchase.

The Underwriter has agreed to purchase the Refunding Bonds from the District at the purchase price of \$_____ (being the initial principal issue amount of the Refunding Bonds, plus [net] original issue premium/discount of \$_____, less amounts to be used to pay certain costs of issuance of \$_____, and less Underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof. The Contract of Purchase between the Underwriter and the District (the "Refunding Contract of Purchase") for the Refunding Bonds requires that the Underwriter will purchase all of the Refunding Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Refunding Contract of Purchase.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover pages of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover pages of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Caldwell Flores Winters, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive ad valorem taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Superintendent, El Rancho Unified School District, 9333 Loch Lomond Drive, Pico Rivera, California 90660.

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

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

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION
RELATING TO THE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the El Rancho Unified School District (the "District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem tax revenues collected by the County of Los Angeles (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the interest and sinking fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the "State") or any of its other political subdivisions or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

THE DISTRICT

District General Information

The District was established as a unified school district in 1963 and is comprised of an area of approximately eleven square miles located in the City of Pico Rivera in Los Angeles County. The District serves students in grades kindergarten through twelve. The District currently maintains nine elementary schools, three junior high schools, one high school, one continuation school and one adult school. The student to teacher ratio in kindergarten is 27:1, grades 1-3 is 25:1, grades 4-5 is 30:1, grades 6-8 is 27:1, and grades 9-12 is 28:1. The District's projected average daily attendance for fiscal year 2013-14 is approximately 9,217 and the District has a fiscal year 2013-14 assessed valuation of \$3,887,030,167.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Superintendent, El Rancho Unified School District, 9333 Loch Lomond Drive, Pico Rivera, California 90660.

District Organization

The District is governed by a Board of Education (the "Board") consisting of five members. The terms are staggered at two-year intervals to provide continuity of governance. Vacancies during terms are filled by an individual appointed by a majority of the remaining Board members or, if there is no majority, by a special election. Members appointed by a majority of the Board serve until the next scheduled election, at which time the voters elect a person to serve the remaining years of the term.

Current members of the Board, together with their offices and the dates their terms expire, are listed below:

**EL RANCHO UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Delia Alvidrez	President	December 2015
Rita Jo Ramirez	Vice President	December 2013
Rachel Canchola	Clerk	December 2013
Alfred Renteria, Jr.	Member	December 2015
Dr. Joseph Rivera	Member	December 2013

Key Personnel

The following is a listing of the key administrative personnel of the District:

<u>Name</u>	<u>Title</u>
Martin Galindo	Superintendent
Leticia Covarrubias	Chief Business Officer

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board.

Brief biographies of the Superintendent and the Chief Business Officer follow:

Martin Galindo, *Superintendent* – Mr. Galindo brings 31 years of experience and learning to the District. He began his career in 1981 as a bilingual teacher in the Los Angeles Unified School District (“LAUSD”). He was an assistant principal for two years and served as a principal for ten years at two different schools. He was an Operations Administrator for two years serving over 150 schools. For six years, he supervised various high school complexes in the southeast area of LAUSD. In 2006, he was selected as the Superintendent of Local District 6 serving 63,000 students in the southeast cities of Bell, Cudahy, Huntington Park, Maywood, South Gate and Vernon. He was unanimously selected as the superintendent of the Bassett Unified School District from 2010-2013. He was unanimously selected as the Superintendent of the El Rancho Unified School District beginning July 1, 2013. Martin Galindo was born and raised in Pico Rivera and is excited to return home to his roots. He has been happily married for 29 years to his wife Diane who is a special education teacher and has four amazing children.

Leticia Covarrubias, *Chief Business Officer* – Mrs. Covarrubias was hired by the District in June 2013 to manage the fiscal, facilities & maintenance, food services, purchasing and technology departments. Her fiscal management career started in the non-profit sector working for the YMCA for several years as Fiscal Administrator and two years as Business Manager with a non-profit catholic organization. In 2004 she began her career with the public education sector as Director of Business at Tri-Cities ROP and in 2008 she accepted a position as Assistant Superintendent, Business Services at La Puente Valley ROP. Mrs. Covarrubias has been managing budgets and has extensive experience as a high-level reporting fiscal manager for eighteen years. She received her Bachelors of Science Degree from California State University, Los Angeles.

District Employees

As of July 1, 2013, the District employed 542 full-time equivalent certificated academic professionals as well as 216 full-time equivalent classified employees. In addition, as of such date, the District employed 135 part-time employees.

The certificated employees of the District have assigned the American Federation of Teachers (“AFT”) as their exclusive bargaining agent. The certificated employees’ contract with AFT expires on June 30, 2014.

The classified employees have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent, and the contract with CSEA expires on June 30, 2014.

As of June 30, 2012, accumulated unpaid employee vacation benefits amounted to \$1,254,332.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Certificated Employees and Classified Employees**

<u>Fiscal Year</u>	<u>Certificated Employees</u>	<u>Classified Employees</u>
2007-08	610	519
2008-09	576	517
2009-10	570	524
2010-11	544	523
2011-12	499	327
2012-13	536	351
	<i>Projected</i>	<i>Projected</i>
2013-14	526	351
2014-15	526	349

Source: The District.

Average Daily Attendance and Base Revenue Limit

Between fiscal years 2008-09 and 2012-13, the District’s average daily attendance (“ADA”) decreased by approximately 9%. The District expects ADA to continue to decline by 3% annually. The ADA and Base Revenue Limit for these years, as well as projections for fiscal years 2012-2013 through 2013-14 are set forth below:

**EL RANCHO UNIFIED SCHOOL DISTRICT
Average Daily Attendance**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Base Revenue Limit</u>
2008-09	10,569	\$60,692,952
2009-10	10,063	62,481,334
2010-11	9,810	62,520,107
2011-12	9,954	64,777,710
2012-13	9,610	64,666,930
	<i>Projected</i>	<i>Projected</i>
2013-14	9,219	63,041,656
2014-15	9,065	63,380,834

Source: El Rancho Unified School District.

Developer Fees

The District collects developer fees pursuant to the State Government Code Section 65995, which originally allowed collection of \$1.50 per square foot of habitable space on domestic housing and \$0.25 per square foot on commercial/industrial developments. These square-foot amounts are periodically adjusted for inflation. Developer fees imposed by the District are neither pledged nor available to pay the Bonds.

**EL RANCHO UNIFIED SCHOOL DISTRICT
Developer Fees Collected
From Fiscal Year 2007-08 through 2011-12**

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2007-08	\$246,973
2008-09	59,733
2009-10	26,273
2010-11	59,540
2011-12	25,569
<i>Projected</i>	<i>Projected</i>
2012-13	52,171
2013-14	28,546

Source: The District

Insurance

The District carries property insurance from SoCal ReLiEF for all claims over \$5,000 up to \$250,000. It also has coverage through Schools Association For Excess Risk (“SAFER”) for claims over \$250,000 up to \$249,750,000. Liability insurance for all claims over \$25,000 and up to \$1,000,000 is processed through So Cal ReLiEF. SAFER provides liability insurance for all claims in excess of \$1,000,000 up to \$4,000,000. Equipment breakdown insurance is provided by Hartford Steam Boiler up to \$100,000,000 while Crime insurance is provided through The Fidelity Deposit Company of Maryland for up to \$5,000,000.

The District is a member of the Whitter Area Schools Insurance Authority (“WASIA”) Joint Powers Authority for Worker’s Compensation insurance. York Insurance Services Group, Inc. administers the plan for WASIA.

Pension Plans

The District participates in the State Teachers’ Retirement System (“STRS”). This plan basically covers all full-time certificated employees. The District’s employer contribution to STRS was \$3,311,360 for fiscal year 2010-11, was \$3,317,721 for fiscal year 2011-12 and was estimated to be \$3,081,933 for fiscal year 2012-13.

The District also participates in the State Public Employees’ Retirement System (“CalPERS”). This plan covers all classified personnel who are employed four or more hours per day. The District’s employer contribution to CalPERS was \$1,428,658 for fiscal year 2010-11, was \$1,366,073 for fiscal year 2011-12 and was estimated to be \$1,374,668 for fiscal year 2012-13.

The District's unaudited retirement contributions for the fiscal year ended June 30, 2012 are as follows:

EL RANCHO UNIFIED SCHOOL DISTRICT
Unaudited Retirement Contributions for Fiscal Year 2011-2012

<u>Plan</u>	<u>Number of Employees Covered</u>	<u>Total Employer Contributions</u>	<u>District's Covered Payroll</u>	<u>Employer contributions as a % of Covered Payroll</u>
STRS	499	\$3,311,360	\$40,737,640	8.250%
PERS	327	1,366,073	15,557,114	10.923

Source: The District.

The District's budgeted retirement contributions for the fiscal year ending June 30, 2013 are as follows:

EL RANCHO UNIFIED SCHOOL DISTRICT
Budgeted Retirement Contributions Estimated for Fiscal Year 2012-13

<u>Plan</u>	<u>Number of Employees Covered</u>	<u>Total Employer Contributions</u>	<u>District's Covered Payroll</u>	<u>Employer contributions as a % of Covered Payroll</u>
STRS	526	\$3,081,933	\$37,810,681	8.250%
PERS	351	1,374,668	13,917,310	11.417

Source: The District.

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

State Pension Trusts

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

The assets and liabilities of the funds administered by CalPERS and STRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2012, 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**

[TO BE UPDATED]

<u>Name of Plan</u>	<u>Excess of Actuarial Value of Assets Over Actuarial Accrued Liabilities (Unfunded Actuarial Accrued Liability)</u>
Public Employees' Retirement Fund (CalPERS) ⁽¹⁾	\$(57.18) billion ⁽²⁾
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽³⁾	\$(63.84) billion ⁽²⁾

⁽¹⁾ As of June 30, 2012, the CalPERS provided pension benefits to 1,102,440 active and inactive program members and 551,627 retirees, beneficiaries, and survivors.

⁽²⁾ Figure as of June 30, 2011.

⁽³⁾ As of June 30, 2012, the STRS Defined Benefit Program had approximately 603,319 active and inactive program members and 253,041 retirees and benefit recipients.

Source: CalPERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012; STRS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012.

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees first employed on or after January 1, 2013, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees first employed on or after January 1, 2013 while

adjusting the retirement formulas, requires employees first employed on or after January 1, 2013 to pay at least 50% of the annual accrued actuarially determined normal costs of benefits and prohibits employers in any year in combination with employee contributions less than the plan normal cost, except as specified, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRRA applies to all State and local public retirement systems, including county and special district retirement systems. PEPRRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRRA would have on CalSTRS, CalPERS or the District's pension obligations under STRS and PERS at this time. Additionally, the District cannot predict if PEPRRA will be challenged in court and, if so, whether any challenge would be successful.

Other Post-Employment Benefits

On June 21, 2004, the Governmental Accounting Standards Board released its *Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* ("GASB 45"). GASB 45 establishes standards for the measurement, recognition and display of post-employment healthcare as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments. Under GASB 45, governments are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expenses, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The District's other post-employment benefits ("OPEB") fall under GASB 45.

On September 30, 2011, the District received the results of a commissioned actuarial study by Total Compensation System, Inc. According to the actuarial study dated April 1, 2011, the District has an actuarial accrued liability with respect to its OPEB of approximately \$17.7 million. An actuarial accrued liability ("AAL") represents a projection by the actuary of the present value of the future benefits that the District will pay over the lives of its active employees and retirees and that are allocable to prior years' service. The remaining unamortized balance of the initial unfunded AAL ("UAAL") is \$15,002,692, leaving a "residual" AAL of \$2,672,227. The annual cost to amortize the residual unfunded actuarial accrued liability was calculated using a 5% discount rate and an open 30 year amortization period. The amortization payment would increase each year based on covered payroll. The District has not set aside any pool of assets to prefund this accrued liability and, accordingly, the full actuarial accrued liability is currently unfunded.

The District's actuarial required contribution ("ARC") for the year ended June 30, 2012 was \$2,100,639, of which \$1,285,446 related to the normal cost (*i.e.*, that portion of accrued benefits that are allocable to service by active employees in the current fiscal year). Contributions made by the District during that year were \$1,124,421. Interest on the net OPEB obligation and adjustments to the ARC were \$77,246 and (\$112,357), respectively, which resulted in an increase to the net OPEB obligation of \$941,107. As of June 30, 2012, the net OPEB obligation was \$2,486,017. The District has a retiree benefit fund established where an amount equal to 2% of the total District covered payroll for the 2010/11 fiscal year is deposited for payment of retiree benefits. Each year this percentage is recalculated and adjusted based on current retirees and increased cost of benefits.

Item 17.4 I

GASB 45 only requires these statements of OPEB liabilities and costs to be reflected in the financial statements of the District and there is currently no legal requirement that the District prefund any of its OPEB actuarial accrued liability. The District currently does not have any plans to prefund any of its OPEB actuarial accrued liability. For a further discussion of the District's OPEB liabilities, please see the notes section of the attached APPENDIX C – "THE DISTRICT'S 2012-12 AUDITED FINANCIAL STATEMENTS."

Population

The populations of the City of Pico Rivera, the County and the State during the period from 2008 through 2012 are set forth in the following table.

<u>Year</u>	Population Figures⁽¹⁾		
	2008 through 2012		
	<u>City of</u> <u>Pico Rivera</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>
2008	63,323	10,301,658	37,883,992
2009	63,095	10,393,185	38,292,687
2010	62,997	9,822,121	37,223,900
2011	63,053	9,847,712	37,427,946
2012	63,199	9,884,632	37,678,563

⁽¹⁾ As of January 1 of the respective year.
Source: California State Department of Finance.

Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the City of Pico Rivera, the State of California and the United States during the period from 2008 through 2012.

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CITY OF PICO RIVERA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
 Yearly Average for Years 2008 through 2012

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2008</u>				
City of Pico Rivera	29,300	27,300	2,000	7.0
California	18,391,800	17,059,600	1,332,300	7.2
United States	142,500,000	133,952,000	8,600,000	6.0
<u>2009</u>				
City of Pico Rivera	29,100	25,900	3,100	10.8
California	18,215,656	16,151,063	2,064,593	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
<u>2010</u>				
City of Pico Rivera	29,100	25,700	3,400	11.7
California	18,330,538	16,063,550	2,266,988	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
<u>2011</u>				
City of Pico Rivera	29,200	25,800	3,300	11.4
California	18,404,466	16,237,286	2,167,180	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Pico Rivera	28,900	26,000	3,000	10.2
California	18,494,881	16,560,348	1,934,533	10.5
United States	154,975,000	142,469,000	12,506,000	8.1

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

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Principal Employers [To be updated]

The following table lists the top ten employers in the City of Pico Rivera.

**CITY OF PICO RIVERA
Principal Employers 2012**

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
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Source: InfoUSA.

State Funding of Education

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

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

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

English learner, low income, and foster youth students in proportion to supplemental and concentration grant funding.

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

State Assistance

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

Fiscal Year 2013-14 State Budget

Fiscal Year 2013-14 State Budget. On June 14, 2013, the State Legislature approved the State's budget for fiscal year 2013-14 (the "2013-14 State Budget"). Governor Brown signed the 2013-14 State Budget into law on June 27, 2013. The 2013-14 State Budget includes an estimated \$97.1 billion in revenues and transfers with planned spending of \$96.3 billion and establishes a \$1.1 billion reserve fund.

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

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

- *Local Control Funding Formula* — An increase of \$2.1 billion Proposition 98 funding for K-12 school districts and charter schools in fiscal year 2013-14, and \$32 million Proposition 98 General Fund for county offices of education, to support implementation of the Local Control Funding Formula.

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

District Investments

The Treasurer and Tax Collector of Los Angeles County (the “Treasurer”) has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of May 31, 2013, investments in the Treasury Pool were held for local agencies including the County, schools and special purpose districts.

Decisions on the investment of funds in the Treasury Pool are made by the Treasurer in accordance with established policy. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Board of Supervisors of the County on an annual basis.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the Treasury

Item 17.4 I

Pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Treasury Pool, see the caption APPENDIX F – “THE LOS ANGELES COUNTY TREASURY POOL” herein.

Financial Statements of the District

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District’s most recent available audited financial statements, see APPENDIX C – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

The following tables contain accounting data abstracted from financial statements prepared by the District’s independent auditors for the fiscal years 2009-10 through 2011-12.

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EL RANCHO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES
FISCAL YEAR ENDING JUNE 30, 2010, JUNE 30, 2011, AND JUNE 30, 2012
AND UNAUDITED ACTUALS FISCAL YEAR ENDING JUNE 30, 2013

	General Fund Fiscal Year Ended June 30, 2010	General Fund Fiscal Year Ended June 30, 2011	General Fund Fiscal Year Ended June 30, 2012	Unaudited Actuals General Fund Fiscal Year Ended June 30, 2013
REVENUES				
Revenue limit sources	\$52,570,706	\$53,038,291	\$ 52,138,686	\$50,452,299
Federal sources	11,435,330	11,183,711	11,178,577	7,686,708
Other state sources	14,093,423	14,054,676	12,998,439	13,468,742
Other local sources	<u>5,696,425</u>	<u>7,477,605</u>	<u>6,834,147</u>	<u>5,454,991</u>
Total Revenues	<u>83,795,884</u>	<u>85,754,283</u>	<u>83,149,849</u>	<u>77,062,738</u>
EXPENDITURES				
Instructional services:				
Instruction	57,809,073	55,383,085	55,566,854	49,507,634
Instruction-related services:				8,032,064
Supervision of instruction	2,297,645	3,027,749	2,722,125	
Instructional library, media and technology	805,673	805,058	797,701	
School site administration	5,361,090	5,413,892	5,564,297	
Pupil support services:				7,534,806
Home-to-school transportation	1,532,376	1,845,571	1,680,823	
Food services	23,351	1,944	49,661	
All other pupil services	4,534,038	4,886,449	5,298,781	
General administration services:				4,242,023
Data processing services	941,979	975,090	802,165	
Other general administration	3,579,622	3,385,177	3,863,130	
Plant services	8,325,973	8,507,916	8,886,039	8,304,162
Facility acquisition and construction	41,303	53,604	1,904	
Ancillary services	321,954	301,149	298,189	304,394
Other outgo	793,309	615,680	491,527	1,518,876
Enterprise services	--	1,107,433	1,367,995	-
Debt Service:				
Debt service- principal	--	--	56,826	-
Debt service- interest	<u>--</u>	<u>--</u>	<u>292,497</u>	<u>-</u>
Total Expenditures	<u>86,367,386</u>	<u>86,308,797</u>	<u>87,740,514</u>	<u>79,443,961</u>
Excess (Deficiencies) of Revenues over (Under) Expenditures	<u>(\$2,571,502)</u>	<u>554,514</u>	<u>(4,590,665)</u>	<u>(2,381,223)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	2,158,672	1,050,000	1,650,168	200,000
Interfund transfers out	(762,301)	(500,000)	(500,000)	(900,000)
Total Other Financing Sources and Uses	<u>1,396,371</u>	<u>550,000</u>	<u>1,150,168</u>	<u>(700,000)</u>
Net Change in Fund Balances	<u>(1,175,131)</u>	<u>(4,514)</u>	<u>(3,440,497)</u>	<u>(3,081,223)</u>
Fund Balance, Beginning of Year	<u>13,429,451</u>	<u>12,518,407</u>	<u>12,513,893</u>	<u>9,016,404⁽¹⁾</u>
Fund Balance, End of Year	<u>\$12,254,321</u>	<u>\$12,513,893</u>	<u>\$9,073,396</u>	<u>\$5,935,181</u>

(1) [Due to audit adjustments after the District's 2012-13 fiscal year]
Source: The District

Budgets of District

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 years 2011-12, 2012-13, and 2013-14. The District adopted its budget for fiscal year 2013-14 on September 14, 2013.

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**EL RANCHO UNIFIED SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGETS
FISCAL YEARS 2011-12, 2012-13, 2013-14**

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUES:			
Revenue Limit Sources	\$52,598,826	\$50,911,148	\$50,963,376
Federal	7,882,933	8,099,231	6,919,215
Other State	11,467,426	9,438,186	13,191,286
Other Local	5,218,095	4,779,575	4,729,477
Total Revenues	<u>77,167,280</u>	<u>73,228,140</u>	<u>75,803,354</u>
EXPENDITURES:			
Certificated Salaries	39,120,576	34,962,157	34,953,039
Classified Salaries	13,328,270	11,827,640	11,423,206
Employee Benefits	18,760,270	17,441,133	17,789,556
Books and Supplies	3,057,799	3,586,069	2,239,982
Services and Other Operating Expenditures	9,304,862	8,026,069	8,544,277
Capital Outlay	1,292	11,959	11,066
Other Outgo (Excluding Transfers of Indirect Costs)	631,602	497,345	852,039
Other Outgo (Transfers of Indirect Costs)	(131,833)	(99,702)	(87,017)
Total Expenditures	<u>84,072,602</u>	<u>76,252,670</u>	<u>75,526,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(6,905,322)</u>	<u>(3,024,530)</u>	<u>277,206</u>
OTHER FINANCING SOURCES AND USES:			
Interfund Transfers In	1,650,000	2,549,485	200,000
Interfund Transfers Out	(500,000)	(500,000)	(500,000)
Total Other Financing Sources and Uses	<u>1,150,000</u>	<u>2,049,485</u>	<u>(300,000)</u>
Net Change in Fund Balances	(5,755,322)	(975,045)	(22,794)
Fund Balance, Beginning of Year	<u>8,520,491</u>	<u>4,339,486</u>	<u>4,523,517</u>
Fund Balance, End of Year	<u>\$2,765,166</u>	<u>\$3,364,441</u>	<u>\$4,500,724</u>

Source: The District.

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Capital Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements with options to purchase is summarized below:

	<u>Portables and Equipment</u>
Balance, July 1, 2011	\$ 121,392
Payments	<u>(60,696)</u>
Balance, June 30, 2012	\$ 60,696

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2013	\$ 60,696
Less: Amount Representing Interest	<u>(1,967)</u>
Present Value of Minimum Lease Payments	\$ 58,729

Source: The District.

APPENDIX B

FORM OF BOND COUNSEL OPINIONS

[Closing Date]

Board of Education
El Rancho Unified School District
9333 Loch Lomond Drive
Pico Rivera, California 90660

Re: \$ _____ El Rancho Unified School District General Obligation Bonds,
Election of 2010, Series 2013B

We have acted as bond counsel for the El Rancho Unified School District, County of Los Angeles, State of California (the "District"), in connection with the issuance by the District of \$ _____ aggregate principal amount of the District's General Obligation Bonds, Election of 2010, Series 2013B (the "Bonds"). The Bonds are being issued pursuant to pertinent provisions of the Government Code of the State of California, a resolution of the Board of Education of the District adopted on [October 10], 2013 (the "Resolution"), and an authorization received from the District's voters at an election conducted on November 2, 2010, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance of \$52,000,000 principal amount of general obligation bonds of the District. Capitalized terms used herein and not otherwise defined shall be the meanings ascribed 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 Bonds. 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. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the applicable Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The

Item 17.4 I

Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest on those Bonds which are Current Interest Bonds and the excess of the Accreted Value with respect to any Bonds which are Capital Appreciation Bonds over the initial principal amount thereof, to the extent such excess represents interest properly allocated to the Owner of such Capital Appreciation Bonds (the "Excess Accreted Value"), to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on and Excess Accreted Value with respect to the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on and Excess Accreted Value with respect to the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

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

The increases in Accreted Value with respect to those Bonds which are Capital Appreciation Bonds are includable in adjusted current earnings as they accrue semiannually rather than at the time such Accreted Value is actually paid to and received by the owners of the Bonds. Increases in Accreted Value occur each semiannual period in the amount of interest which accrues semiannually during such period on the Accreted Value as of the beginning of such period. An owner's adjusted basis in a Bond which is a Capital Appreciation Bond, used to determine the amount of gain or loss on disposition of such Capital Appreciation Bond, will be equal to the Accreted Value as of the date of calculation.

5. Interest on and Excess Accreted Value with respect to the Bonds are exempt from personal income taxes of the State of California under present state law.
6. We are further of the opinion that the difference between the principal amount of the Bonds maturing August 1, ___ through August 1, ___, inclusive, and on August 1, ___ (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from

gross income for federal income tax purposes to the same extent as interest on and Excess Accreted Value with respect to the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Resolution and in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Current Interest Bonds and Excess Accreted Value with respect to the Capital Appreciation Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

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

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

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

[Closing Date]

Board of Education
El Rancho Unified School District
9333 Loch Lomond Drive
Pico Rivera, California 90660

Re: \$ _____ El Rancho Unified School District General Obligation
Refunding Bonds, Series 2013

We have acted as bond counsel for the El Rancho Unified School District, County of Los Angeles, State of California (the "District"), in connection with the issuance by the District of \$ _____ aggregate principal amount of the District's General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are being issued pursuant to pertinent provisions of the Government Code of the State of California, and a resolution of the Board of Education of the District adopted on [October 10], 2013 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall be the meanings ascribed 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 Bonds. 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. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the applicable Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.
4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate

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

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

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.
6. Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on August 1, 20__ through August 1, 20__, inclusive and on August 1, __ (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Resolution and in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the

Item 17.4 I

District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

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

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

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C

AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is executed and delivered by the El Rancho Unified School District (the "District") as of _____, 2013, in connection with the execution and delivery of \$_____ aggregate principal or denominational amount of the District's General Obligation Bonds, Election of 2010, Series 2013B (the "New Money Bonds") and the District's General Obligation Refunding Bonds, Series 2013 (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds"). The Bonds are being issued pursuant to separate resolutions adopted by the Board of Education of the District on [October 10], 2013 (collectively, the "Resolution") and applicable provisions of the Government Code of the State of California. 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 Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and in order to assist George K. Baum & Company (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 Undertaking.

"Annual Report Date" shall mean the date in each year that is eight months after the end of the District's fiscal year (currently ending June 30), which date, as of the date of this Disclosure Undertaking, is March 1.

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

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" shall mean any dissemination agent, or any alternate or successor dissemination agent, designated in writing by the Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at <http://emma.msrb.org>, or any other entity designated or authorized by the Commission.

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

SECTION 4. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District), no later than the Annual Report Date, commencing with the report for the fiscal year ending June 30, 2013, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at <http://emma.msrb.org>.

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 Undertaking; 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. If the District does not have audited financial statements available when it submits the relevant Annual Report, it shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

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 MSRB as soon as practical after it has been made available to the District.

(b) The final adopted budget of the District for the then current fiscal year;

(c) [An update to the following tables under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Assessed Valuation," "-Tax Rates," "-Tax Levies and Delinquencies" and "-Largest Taxpayers":

(i) Assessed Valuation;

(ii) Secured Tax Charges and Delinquencies;

- (iii) Largest Taxpayers;
- (iv) Assessed Valuation and Parcels by Land Use;
- (v) Typical Total Tax Rates Per \$100 of Assessed Valuation (TRA 7978)]

(d) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the 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 Listed Events.

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

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the District.

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, 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 notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

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

(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) Whenever a Listed Event described in Section 6(a) hereof occurs, or the District determines that a Listed 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 file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the District hereunder.

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

Item 17.4 I

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

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

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

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

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

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

SECTION 13. Record Keeping. The District shall maintain records of all Annual Reports and notices of material Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

SECTION 14. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

IN WITNESS WHEREOF, El Rancho Unified School District has executed this Continuing Disclosure Undertaking as of the date first set forth herein.

EL RANCHO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: El Rancho Unified School District

Name of Issue: \$_____ El Rancho Unified School District General Obligation Bonds,
2010 Election, Series 2013B

\$_____ El Rancho Unified School District General Obligation Refunding
Bonds, Series 2013

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 Bonds as required by Section 4(a) of the Disclosure Undertaking dated _____, 2013. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that 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, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

General

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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" and together with the Direct Participants, the "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. *The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Item 17.4 I

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

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

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

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

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

Principal or Maturity Amount, premium, if any and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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, Maturity Amount, 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 Bonds 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, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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 Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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

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

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

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

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

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

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County Treasury Pool (the "Treasury Pool") has been obtained from the Treasurer and Tax Collector of Los Angeles County (the "Treasurer") and has not been confirmed or verified by El Rancho Unified School District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Treasurer has the delegated authority to invest funds on deposit in the Treasury Pool. As of July 31, 2013, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$ 7.886
Schools and Community Colleges	13.146
Independent Public Agencies	<u>2.614</u>
Total	\$23.646

Of these entities, the involuntary participants accounted for approximately 88.94%, and all discretionary participants accounted for 11.06% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In the County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy (the "Investment Policy") developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2013, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the County Board of Supervisors. According to the Investment Report dated July 31, 2013, the July 31, 2013, book value of the Treasury Pool was approximately \$23.646 billion and the corresponding market value was approximately \$23.492 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly

basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of July 31, 2013.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	54.60
Certificates of Deposit	19.02
Commercial Paper	25.06
Bankers Acceptances	0.00
Municipal Obligations	0.14
Corporate Notes & Deposit Notes	1.18
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of July 31, 2013, approximately 39.28% of the investments mature within 60 days, with an average of 615 days to maturity for the entire portfolio.

EXHIBIT G

ACCRETED VALUES TABLE

Item 17.5 A

PAGE(S) REMOVED

INTENTIONALLY

Pages containing confidential information
are provided to
Board Members and appropriate district personnel only.

Item 17.5 B

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