

AGENDA

SPECIAL BOARD MEETING

Tuesday, August 11, 2015
7:00 p.m. District Conference Room

1. Call to order- Flag Salute

In compliance with the Americans with Disabilities Act and the Brown Act, if you need special assistance to participate in the meeting, including the receipt of the agenda and documents in the agenda package in an alternate format, please contact the Tipton Elementary School District office at (559) 752-4213. Notification 48 hours prior to the meeting will enable the district to make reasonable arrangements to ensure accessibility to this meeting (28CFR35.102-35, 104 ADA Title II), and allow for the preparation of documents in appropriate alternate format

2. Public Input:

In order to ensure that Members of the public are provided a meaningful opportunity to address the board on agenda items that are within the Board's jurisdiction, agenda items may be addressed either at the public input portion of the agenda, or at the time the matter is taken up by the board. Board presentations are limited to 3 minutes per person and 15 minutes per topic.

3. ADMINISTRATIVE: Action items:

3.1 Agenda: Board Resolution #2015-2016-06 "RESOLUTION OF THE BOARD OF TRUSTEES OF THE TIPTON ELEMENTARY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, 2014 ELECTION, SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,300,000 AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND ACTIONS". Resolution authorizes bonds which allow for the compounding of interest.

4. Adjournment

The Board upon discussion and a vote of agreement, the Board may make any item an action item.

Notice: If documents are distributed to Board Members concerning an agenda item within 72 hours of a regular board meeting, at the same time the documents will be made available for public inspection at the District Office located at 370 N. Evans Road, Tipton CA. 93272, telephone 752-4213.

Agenda Posted: Thursday, August 6, 2015

3. ADMINISTRATIVE: Action items:

- 3.1** Agenda: Board Resolution #2015-2016-06 "RESOLUTION OF THE BOARD OF TRUSTEES OF THE TIPTON ELEMENTARY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, 2014 ELECTION, SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,300,000 AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND ACTIONS". Resolution authorizes bonds which allow for the compounding of interest.

Agenda Item: Information Only

Information only presentation of the proposed RESOLUTION OF THE BOARD OF TRUSTEES OF THE TIPTON ELEMENTARY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, 2014 ELECTION, SERIES A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,300,000 AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND ACTIONS

Executive Summary

TO: Board of Trustees of the Tipton Elementary School District

FROM: Dr. Miguel A Guerrero, Superintendent

SUBJECT: Information only presentation of the proposed RESOLUTION OF THE BOARD OF TRUSTEES OF THE TIPTON ELEMENTARY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, 2014 ELECTION, SERIES A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,300,000 AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND ACTIONS (“Resolution”)

RECOMMENDATION

It is recommended that the Board of Trustees take under consideration the proposed Resolution and set a consecutive Board meeting to approve the Resolution and authorize the issuance and sale of Series A of the Bonds.

BACKGROUND

In the November 2014 general election, Tipton Elementary School District voters approved Measure C, which authorized the District to increase its debt by \$3.3 million. None of the bonds have been issued to date.

District staff has worked with the following consultants to develop a recommendation for the issuance sale of the bonds: bond counsel, Jones Hall; financial advisor, Isom Advisors, A Division of Urban Futures, Inc.; and underwriter, O’Connor & Company Securities, Inc.

Based upon the advice of these consultants, at this time, staff recommends that bonds be issued as Capital Appreciation Bonds (CABs). CABs allow for the compounding of interest. Education Code section 15146(b)(2) requires a resolution for the sale of bonds that allow for the compounding of interest (including CABs) to be publicly noticed on at least two consecutive

meeting agendas, first as an information item and second as an action item. The proposed Resolution to authorize the issuance and sale of the CABs is Attachment 1 to this Agenda Item.

The Resolution would authorize the CABs to be sold by negotiated sale for the reasons set forth in Article III, Section 3.01(b) of Attachment 1. Costs associated with bond issuance are estimated at \$170,000 (see Attachment 1, Article III, Section 3.04).

The financing term, time of maturity, repayment ration, and estimated change in the assessed value of the taxable property within the District over the terms of the CABs are set forth in Article III of Attachment 1.

The financing schedule for the proposed issuance is set forth in Attachment 2 to this agenda item.

Assembly Bill 182 requires that the Board be presented with all of the following items, which are attached as Exhibit A to the Resolution:

1. an analysis containing the total overall cost of the Series A Bonds that allow for the compounding of interest; and
2. a comparison to the overall cost of issuing only current interest bonds; and
3. the reasons bonds that allow for the compounding of interest are being recommended; and
4. a copy of the disclosure made by the Underwriter (defined herein) in compliance with Municipal Securities Rulemaking Board Rule G-17; and
5. the annual assessed value growth assumptions to be used upon issuance of Series A Bonds.

The Resolution would also approve in substance the Preliminary Official Statement and its Appendices, which are Exhibit B to the Resolution.

The Resolution would also approve in substance the Bond Purchase Agreement, which is Exhibit C to the Resolution.

FISCAL EFFECT

None.

FINANCING SCHEDULE

(As of July 24, 2015)

Tipton School District
General Obligation Bonds, 2014 Election, Series A
Current Interest Bonds & Capital Appreciation Bonds

JULY 2015							AUGUST 2015							SEPTEMBER 2015						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4			4	5	6	7	8			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

Dates in yellow denote Board meeting dates

<u>Date</u>	<u>Assignment</u>	<u>Party</u>
Wednesday, July 28	<input type="checkbox"/> Receive credit rating/insurance commitments	Isom, O'Connor
Tuesday, Aug. 4	<input type="checkbox"/> District Board considers Issuance Resolution and POS for Bonds (information only)	District, O'Connor
Tuesday, Aug. 11	<input type="checkbox"/> District Board approves Issuance Resolution and POS for Bonds	District, Isom
Monday, Aug. 17	<input type="checkbox"/> Distribute POS	JH, O'Connor
Tuesday, Aug. 25	<input type="checkbox"/> Pre-Price Conference Call	District, Isom, O'Connor
Wednesday, Aug. 26	<input type="checkbox"/> Price Bonds; finalize interest rates; execute Purchase Agreement	District, Isom, O'Connor
Tuesday, Sept. 8	<input type="checkbox"/> Pre-Closing	All Parties
Wednesday, Sept. 9	<input type="checkbox"/> Closing	All Parties

Financing Parties:

District: Tipton School District
JH: Jones Hall (Bond Counsel and Disclosure Counsel)
Isom: Isom Advisors, A Division of Urban Futures, Inc. (Financial Advisor)
O'Connor: O'Connor & Company Securities, Inc. (Underwriter)
DWK: Dannis Woliver Kelley (Underwriter's Counsel)
Wilmington: Wilmington Trust, National Association (Paying Agent)

TIPTON ELEMENTARY SCHOOL DISTRICT

RESOLUTION NO. 2015–2016-06

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE TIPTON
ELEMENTARY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND
SALE OF GENERAL OBLIGATION BONDS, 2014 ELECTION, SERIES A, IN THE
AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,300,000 AND
APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS
AND ACTIONS**

WHEREAS, an election was duly and regularly held in the Tipton Elementary School District (the “District”) on November 4, 2014, in accordance with Section 1(b)(3) of Article XIII A of the California Constitution, for the purpose of submitting ballot Measure C (the “Bond Measure”) to the qualified electors of the District, authorizing the issuance of general obligation bonds in the aggregate principal amount of \$3,300,000 (the “Bonds”), and more than 55% of the votes cast were in favor of the issuance of the Bonds; and

WHEREAS, the District has caused the issuance and sale of none of the bonds, leaving \$3,300,000 in principal amount of the Bonds unissued as of this date; and

WHEREAS, the Board of Trustees of the District (the “Board”) has the power to authorize the issuance of the Bonds under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code (the “Bond Law”); and

WHEREAS, as such, the District wishes at this time to initiate proceedings for the issuance of a series of the Bonds under the Bond Law in the aggregate principal amount of not to exceed \$3,300,000 (the “Series A Bonds”) as provided in this Resolution for the purpose of providing financing for projects which are authorized under the Bond Measure; and

WHEREAS, the District has retained the services of the following consultants to advise and assist the District in the preparation of the required documentation and the process in their respective roles: 1) bond/dislosure counsel Jones Hall; 2) underwriter O’Connor & Company Securities, Inc.; and 3) financial advisor Isom Advisors, a Division of Urban Futures, Inc; and

WHEREAS, as required by Government Code Section 53508.5 and Education Code Section 15146(b)(2), because it is anticipated that a portion of the Series A Bonds will be issued as bonds which allow for the compounding of interest as provided herein, on July 16, 2015, this Resolution was publicly noticed as an information item on the agenda for such meeting, and the Board was presented with the following items, copies of which are attached hereto as Exhibit A to this Resolution:

- an analysis containing the total overall cost of the Series A Bonds that allow for the compounding of interest;
- a comparison to the overall cost of issuing only current interest bonds; and

- the reasons bonds that allow for the compounding of interest are being recommended.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Tipton Elementary School District as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

“Accreted Value” means, with respect to any Capital Appreciation Bond and Convertible Capital Appreciation Bond prior to its Conversion Date, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond or Convertible Capital Appreciation Bond. The Accreted Value of any Capital Appreciation Bond or Convertible Capital Appreciation Bond as of any date other than a Compounding Date will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

“Accretion Rate” means, unless otherwise provided by the Bond Purchase Agreement pursuant to Section 3.01, the rate which, when applied to the principal amount of any Capital Appreciation Bond or Convertible Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof or the Conversion Value of such Convertible Capital Appreciation Bond on the Conversion Date thereof.

“Authorized Investments” means the County Investment Pool, the Local Agency Investment Fund, any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, and investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Tax Code). The Treasurer Tax-Collector shall assume no responsibility in the reporting, reconciling and monitoring in the investment of proceeds related to the Series A Bonds.

“Board” means the Board of Trustees of the District.

“Bond Counsel” means (a) the firm of Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“Bond Law” means Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, as in effect on the date of adoption hereof and as amended hereafter.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the District and the Underwriter, under which the Underwriter agrees to purchase the Series A Bonds and pay the purchase price therefor and which is attached as Exhibit C to this Resolution.

“Building Fund” means the fund established and held by the County Treasurer under Section 3.03.

“Capital Appreciation Bonds” means the Series A Bonds which are designated as such in the Bond Purchase Agreement, the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity as shown in the table of Accreted Value for the Capital Appreciation Bonds.

“Closing Date” means the date upon which there is a delivery of the Series A Bonds in exchange for the amount representing the purchase price of the Series A Bonds by the Underwriter.

“Compounding Date” means, with respect to any Capital Appreciation Bond, each February 1 and August 1, commencing on the date set forth in the Bond Purchase Agreement, to and including the date of maturity or redemption of such Capital Appreciation Bond.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate which is executed and delivered by a District Representative on the Closing Date.

“Conversion Date” means, with respect to any Convertible Capital Appreciation Bond, the date designated in the Bond Purchase Agreement on which interest begins to accrue on a current basis on the Conversion Value thereof, and is payable semiannually thereafter on each Interest Payment Date.

“Conversion Value” means, with respect to any Convertible Capital Appreciation Bond, the Accreted Value of such Convertible Capital Appreciation Bond as of its Conversion Date.

“Convertible Capital Appreciation Bonds” means any Series A Bonds which are designated as such in the Bond Purchase Agreement, the interest on which initially accretes on the original Denominational Amount thereof, compounded semiannually on each Compounding Date until the Conversion Date thereof, and thereafter, the interest on which is payable on a current basis on each Interest Payment Date following the Conversion Date.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the Series A Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and

professionals, rating agency fees and any other cost, charge or fee in connection with the original issuance and sale of the Series A Bonds.

“County” means the County of Tulare, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

“County Treasurer” means the Tulare County Treasurer-Tax Collector, or any authorized deputy thereof.

“Current Interest Bonds” means the Series A Bonds which are designated as such in the Bond Purchase Agreement, the interest on which is payable on a current basis on each Interest Payment Date.

“Debt Service Fund” means the account established and held by the County Treasurer under Section 4.02.

“Denominational Amount” means, with respect to any Capital Appreciation Bonds, the initial purchase price (exclusive of any premium) of such Capital Appreciation Bond.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.09.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“District” means the Tipton Elementary School District, a school district organized under the Constitution and laws of the State of California, and any successor thereto.

“District Representative” means the President of the Board, the Superintendent, Chief Business Financial Officer, or such officer’s written designee, or any other person authorized by resolution of the Board of the District to act on behalf of the District with respect to this Resolution and the Bonds.

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

“Education Code” means the Education Code of the State of California, as in effect on the Closing Date or as thereafter amended from time to time.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Interest Payment Dates” with respect to any Current Interest Bond and any Convertible Capital Appreciation Bond following the Conversion Date, means February 1 and August 1 in each year during the term of such Current Interest Bond or following the Conversion Date of the Convertible Capital Appreciation Bond, commencing on the date set forth in the Bond Purchase Agreement, provided, however, that such dates are subject to modification as provided in the Bond Purchase Agreement.

“Maturity Value” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

“Office” means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder. The Paying Agent may designate and re-designate the Office from time to time by written notice filed with the County Treasurer and the District.

“Outstanding,” when used as of any particular time with reference to Series A Bonds, means all Series A Bonds except: (a) Series A Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Series A Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Series A Bonds in lieu of or in substitution for which other Series A Bonds have been authorized, executed, issued and delivered by the District under this Resolution.

“Owner”, whenever used herein with respect to a Series A Bond, means the person in whose name the ownership of such Series A Bond is registered on the Registration Books.

“Paying Agent” means Wilmington Trust National Association acting in the capacity of paying agent, registrar, authentication agent and transfer agent.

“Record Date” means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Series A Bonds under Section 2.08.

“Resolution” means this Resolution, as originally adopted by the Board and including all amendments hereto and supplements hereof which are duly adopted by the Board from time to time in accordance herewith.

“Securities Depositories” means DTC, 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 Written Certificate of the District delivered to the Paying Agent.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Underwriter” means O’Connor & Company Securities, Inc., the original purchaser of the Series A Bonds upon the negotiated sale thereof, as designated pursuant to Section 3.01.

“Written Certificate of the District” means an instrument in writing signed by a District Representative or by any other officer of the District duly authorized by the District for that purpose.

“Series A Bonds” means the not to exceed \$3,300,000 aggregate principal amount of Tipton Elementary School District (Tulare County, California) General Obligation Bonds, 2014 Election, Series A issued and at any time Outstanding under this Resolution.

SECTION 1.02. *Interpretation.*

- (a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.
- (b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.
- (c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. *Authority for this Resolution; Findings.* This Resolution is entered into under the provisions of the Bond Law. The Board hereby certifies that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Series A Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Series A Bonds, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California.

ARTICLE II

THE SERIES A BONDS

SECTION 2.01. *Authorization.* The Board hereby authorizes the issuance of the Series A Bonds in the aggregate principal amount not to exceed \$3,300,000 under and subject to the terms of Article XIII A, Section 1 paragraph (b) of the California Constitution, the Bond Law and this Resolution, for the purpose of raising money for the acquisition or improvement of educational facilities in accordance with the Bond Measure and to pay Costs of Issuance. This Resolution constitutes a continuing agreement between the District and the Owners of all of the Series A Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal thereof and interest and premium, if any, on all Series A Bonds, subject to the covenants, agreements, provisions and conditions herein contained. The Series A Bonds may be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds, or any combination thereof, and may be issued in one or more series as tax-exempt bonds, and shall be designated the “Tipton Elementary School District (Tulare County, California) General Obligation Bonds, 2014 Election, Series A” together with such additional series designation as is approved by a District Representative to identify the Series A Bonds more particularly.

SECTION 2.02. *Terms of Series A Bonds.*

- (a) Terms of Current Interest Bonds. The Current Interest Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Current Interest Bonds maturing in the year of maturity of the Current Interest Bond for which the denomination is specified. Current Interest Bonds will be lettered and numbered as the Paying Agent may prescribe. The Current Interest Bonds will be dated as of the Closing Date.

Interest on the Current Interest Bonds is payable semiannually on each Interest Payment Date. Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the first Record Date, in which event it will bear interest from the Closing Date. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

- (b) Terms of Capital Appreciation Bonds. The Capital Appreciation Bonds will be issued in fully registered form without coupons in denominations of \$5,000 in Maturity Values or any integral multiple thereof (except that one Capital Appreciation Bond may be issued in a denomination the Maturity Value of which

is not an integral multiple of \$5,000), maturing on August 1 in each of the years and in the maturity amounts as will be determined upon the sale thereof. Interest on the Capital Appreciation Bonds compounds on each Compounding Date at the respective Accretion Rates to be determined upon the sale thereof, and is payable solely at maturity or upon earlier redemption thereof as hereinafter provided.

Each Capital Appreciation Bond will be dated as of the Closing Date. The Accreted Value of the Capital Appreciation Bonds and any redemption premium thereon will be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Office of the Paying Agent. The Accreted Value of the Capital Appreciation Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Paying Agent.

- (c) Terms of Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds (if any) will be issued in fully registered form without coupons. Interest on the Convertible Capital Appreciation Bonds will initially accrete on the original Denominational Amount thereof, compounded on each Compounding Date to and including the Conversion Date thereof. On the Conversion Date of any Convertible Capital Appreciation Bond, the interest on such Convertible Capital Appreciation Bond will convert to current interest, accruing on the Conversion Value thereof, payable as set forth under subsection (a) above.

Each Convertible Capital Appreciation Bond will be dated as of the Closing Date. The Convertible Capital Appreciation Bonds will mature on August 1 in each of the years and in the Conversion Values as will be determined upon the sale thereof.

- (d) Maturities; Basis of Interest Calculation. The Series A Bonds will mature on August 1 in the years and in the amounts, and will bear or accrete interest at the rates, as determined upon the sale thereof as provided in the Bond Purchase Agreement. The limits set forth in Section 3.01 relating to the maximum maturity and interest rates prescribed by the Bond Law and this Board shall be set forth in the Bond Purchase Agreement. Interest on the Series A Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.
- (e) CUSIP Identification Numbers. CUSIP identification numbers will be imprinted on the Series A Bonds, but such numbers do not constitute a part of the contract evidenced by the Series A Bonds and any error or omission with respect thereto will not constitute cause for refusal of any purchaser to accept delivery of and pay for the Series A Bonds. In addition, failure on the part of the District to use such CUSIP numbers in any notice to Owners of the Series A Bonds will not constitute an event of default or any violation of the District's contract with such Owners and will not impair the effectiveness of any such notice.
- (f) Payment. Interest on the Series A Bonds (including the final interest payment upon maturity or redemption) is payable by check, draft or wire of the Paying

Agent mailed to the Owner thereof (which will be DTC so long as the Series A Bonds are held in the book-entry system of DTC) at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Series A Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Series A Bonds will be paid on the succeeding Interest Payment Date to such account as will be specified in such written request. Principal of and premium (if any) on the Series A Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Office of the Paying Agent.

- (g) Provisions of Sale Documents to Control. Notwithstanding the foregoing provisions of this Section and the following provisions of Section 2.03, any of the terms of the Series A Bonds may be established or modified under the Bond Purchase Agreement or other document governing the sale of the Series A Bonds. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement or other document of sale relating to the terms of the Series A Bonds, the provisions of the Bond Purchase Agreement or other document of sale will be controlling.

SECTION 2.03. *Redemption of Series A Bonds.*

- (a) Optional Redemption Dates and Prices. The Series A Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, commencing on the date which is no later than ten years following the issuance of the Series A Bonds, at the respective redemption prices as shall be designated in the Bond Purchase Agreement.
- (b) Mandatory Sinking Fund Redemption. If the Bond Purchase Agreement specifies that any one or more maturities of the Series A Bonds are term bonds which are subject to mandatory sinking fund redemption, each such maturity of Series A Bonds shall be subject to such mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the Bond Purchase Agreement, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption. If any such term bonds are redeemed under the provisions of the preceding clause (a), the total amount of all future payments under this subsection (b) with respect to such term bonds shall be reduced by the aggregate principal amount of such term bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 in the manner determined by the District as set forth in written notice given by the District to the Paying Agent.
- (c) Selection of Series A Bonds for Redemption. Whenever less than all of the Outstanding Series A Bonds of any one maturity are designated for redemption,

the Paying Agent shall select the Outstanding Series A Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Current Interest Bond will be deemed to consist of individual bonds of \$5,000 portions (principal amount, Maturity Value or Conversion Value, as applicable). The Series A Bonds may all be separately redeemed.

- (d) Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Series A Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series A Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Series A Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Series A Bonds are to be called for redemption, shall designate the serial numbers of the Series A Bonds to be redeemed by giving the individual number of each Series A Bond or by stating that all Series A Bonds between two stated numbers, both inclusive, or by stating that all of the Series A Bonds of one or more maturities have been called for redemption, and shall require that such Series A Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Series A Bonds will not accrue from and after the redemption date.

Upon surrender of Series A Bonds redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Series A Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series A Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series A Bonds so called for redemption have been duly provided, the Series A Bonds called for redemption will cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice. The Paying Agent will cancel all Series A Bonds redeemed under this Section and will furnish a certificate of cancellation to the District.

- (e) Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Series A Bonds under subsection (a) of this Section by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for

the payment in full of the Series A Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Series A Bond Owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under subsection (d) of this Section.

SECTION 2.04. *Form of Series A Bonds.* The Current Interest Bonds, the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon will be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution and the Bond Purchase Agreement, as are set forth in Appendix A (designated as Appendices A1, A2 and A3) attached hereto.

SECTION 2.05. *Execution of Series A Bonds.* The Series A Bonds shall be signed by the facsimile signature of the President of the Board and shall be attested by the facsimile signature of the Clerk of the Board. Only those Series A Bonds bearing a certificate of authentication and registration in the form set forth in Appendix A (designated as Appendices A1, A2 and A3) attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent is conclusive evidence that the Series A Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Series A Bonds.* Subject to Section 2.10, any Series A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series A Bond for cancellation at the Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Series A Bond issued upon any transfer.

Whenever any Series A Bond or Bonds is surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Series A Bond or Bonds, for like aggregate principal amount. No transfers of Series A Bonds shall be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Series A Bonds for redemption or (b) with respect to a Series A Bond which has been selected for redemption.

SECTION 2.07. *Exchange of Series A Bonds.* Series A Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Series A Bonds of authorized denominations and of the same maturity, 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. The District may charge a reasonable sum for each new Series A Bond issued upon any exchange (except in the cases of any exchange of temporary Series A Bonds for definitive Series A Bonds). No exchange of Series A Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Series A Bonds for redemption or (b) with respect to a Series A Bond after it has been selected for redemption.

SECTION 2.08. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Series A Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series A Bonds as herein before provided.

SECTION 2.09. *Book-Entry System.* Except as provided below, DTC shall be the Owner of all of the Series A Bonds, and the Series A Bonds shall be registered in the name of Cede & Co. as nominee for DTC. The Series A Bonds shall be initially executed and delivered in the form of a single fully registered Series A Bond for each maturity date of the Series A Bonds in the full aggregate principal amount of the Series A Bonds maturing on such date. The Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Series A Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. The Paying Agent and the District have no responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Series A Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the District as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Series A Bonds. The District shall cause to be paid all principal and interest with respect to the Series A Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest with respect to the Series A Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Series A Bond. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the District determines that it is in the best interest of the beneficial owners that they be able to obtain Series A Bonds and delivers a written certificate to DTC and the District to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Series A Bonds. In such event, the District shall issue, transfer and exchange Series A Bonds as requested by DTC and any other owners in appropriate amounts.

DTC may determine to discontinue providing its services with respect to the Series A Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the District shall be obligated to deliver Series A Bonds as described in this Resolution. Whenever DTC requests the District to do so, the District will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Series A Bonds evidencing the Series A Bonds to any Depository System Participant having Series A Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Series A Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Series A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Series A Bond and all notices with respect to such Series A Bond shall be made and given, respectively, to DTC as provided in the representation letter delivered on the date of issuance of the Series A Bonds.

Section 2.10. *Transfer Under Book-Entry System: Discontinuation of Book-Entry System.* Registered ownership of the Series A Bonds, or any portion thereof, may not be transferred except as follows:

- (i) To any successor of Cede & Co., as nominee of DTC, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a “substitute depository”); *provided that* any successor of Cede & Co., as nominee of DTC or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;
- (ii) To any substitute depository not objected to by the District or the County, upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the County (upon consultation with the District) to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or
- (iii) To any person upon (1) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the County (upon consultation with the District) to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

ARTICLE III

SALE OF SERIES A BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Sale of Series A Bonds; Approval of Sale Documents.*

- (a) Negotiated Sale Authorized. Pursuant to Section 53508.7 of the Bond Law, and subject to the alternative manner of sale identified in subsection (c) below, the Board hereby expressly authorizes the negotiated sale of the Series A Bonds to O’Connor & Company Securities, Inc.. In the case of a negotiated sale, subject to subsection (c) below, the Series A Bonds shall be sold pursuant to the Bond Purchase Agreement in substantially the form on file with the Clerk of the Board with such changes therein, deletions therefrom and modifications thereto as a District Representative may approve, such approval to be conclusively evidenced

by the execution and delivery of the Bond Purchase Agreement; provided that the Bond Purchase Agreement shall contain the following terms:

- (i) the Series A Bonds shall bear a rate of interest or Accretion Rate of not to exceed the maximum rate permitted by law;
- (ii) Current Interest Bonds shall have a final maturity date of 40 years or less from the date of issuance (subject to subsection (f) below), and Capital Appreciation Bonds and Convertible Capital Appreciation Bonds shall have a final maturity date of 25 years or less from the date of issuance;
- (iii) the Series A Bonds shall have a ratio of total debt service to principal of not to exceed four to one;
- (iv) the Series A Bonds which are Capital Appreciation Bonds and Convertible Capital Appreciation Bonds shall be subject to redemption prior to maturity at the option of the District, at the Accreted Value or Conversion Value thereof, as applicable, beginning no later than 10 years following the issuance of the Series A Bonds; and
- (v) the Underwriter's discount shall not exceed 2.0% of the principal amount of the Series A Bonds.

The Board hereby authorizes a District Representative to execute and deliver the final form of the Bond Purchase Agreement in the name and on behalf of the District.

- (b) Reasons for Negotiated Sale. In accordance with Section 53508.7 of the Bond Law, the Board has determined to authorize the sale of the Series A Bonds at negotiated sale for the following reasons: (a) the District requires flexibility in determining whether the Bonds will be issued as Current Interest Bonds, Capital Appreciation Bonds, Convertible Capital Appreciation Bonds, or a combination thereof, and a negotiated sale provides flexibility to make such determination at the time of the bond sale, (b) a negotiated sale provides more flexibility to choose the time and date of the sale which is advantageous in a volatile municipal bond market, and (c) a negotiated sale will permit the time schedule for the issuance and sale of the Series A Bonds to be expedited. A District Representative is hereby authorized to acknowledge a copy of the disclosure made by the selected Underwriter in compliance with Municipal Securities Rulemaking Board Rule G-17.
- (c) Official Statement. The Board hereby approves, and hereby deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement and its Appendices A through G, attached as Exhibit B to this Resolution, describing the Series A Bonds in substantially the form on file with the Clerk of the Board. A District Representative is hereby authorized to execute an appropriate certificate stating the Board's determination that the Preliminary Official Statement has been deemed nearly final within the

meaning of such Rule. A District Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a District Representative shall be conclusive evidence of his or her approval of any such changes and additions. The Board hereby authorizes the distribution of the Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the District by a District Representative.

- (d) Estimates Regarding Assessed Valuations. As provided in Section 3.01(a), the Series A Bonds which are Current Interest Bonds shall have a term of not to exceed 40 years from the date of issuance, and the Series A Bonds which are Capital Appreciation Bonds or Convertible Capital Appreciation Bonds shall have a term of not to exceed 25 years from the date of issuance, and the repayment ratio for the Series A Bonds shall not exceed four to one. As provided in Education Code Section 15270, the Series A Bonds may only be issued if the District projects at the time of issue that the tax rate levied to pay debt service on the Series A Bonds, together with other bonds issued pursuant to the Bond Measure, would not exceed \$30 per \$100,000 of assessed valuation. In making such projection, the District has estimated certain annual increases in the assessed value of taxable property within the District. The assumed annual increases are set forth in Exhibit A hereto.

- (e) Actions to Close Bond Issuance. Each District Representative and any and all other officers of the District are each authorized and directed in the name and on behalf of the District to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series A Bonds, including but not limited to the execution and delivery of a document with respect to the engagement of the Paying Agent appointed hereby, and the payment of Costs of Issuance. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 3.02. *Application of Proceeds of Sale of Series A Bonds.* The proceeds of the Series A Bonds shall be paid to the County Treasurer (excluding amounts to be used to pay some or all of the Costs of Issuance, which may be deposited as described in Section 3.05) on the Closing Date, and shall be applied by the County Treasurer as follows:

- (a) The portion of the proceeds representing the premium (if any) received by the County Treasurer on the sale of the Series A Bonds will be deposited in the Debt Service Fund established pursuant to Section 4.02.

- (b) All remaining proceeds received by the County Treasurer from the sale of the Series A Bonds will be deposited in the Building Fund established pursuant to Section 3.03.

At the option of the District, a portion of the proceeds to be used to pay Costs of Issuance may be deposited with a fiscal agent selected by the District, as provided in Section 15146(h) of the Education Code, as directed by the District, in order to facilitate the payment of Costs of Issuance.

SECTION 3.03. *Building Fund.* The County Treasurer shall create and maintain a fund designated as the “Tipton Elementary School District, 2015 Building Fund,” into which the proceeds from the sale of the Series A Bonds shall be deposited, to the extent required under Section 3.02(b). The County Treasurer shall maintain separate accounting for the proceeds of the Series A Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund for the Series A Bonds shall be expended by the District solely for the financing of projects for which the Series A Bond proceeds are authorized to be expended under the Bond Measure (which includes related Costs of Issuance). All interest and other gain arising from the investment of proceeds of the Series A Bonds shall be retained in the Building Fund and used for the purposes thereof. Pursuant to a Written Certificate of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest on the Series A Bonds.

If excess amounts remain on deposit in the Building Fund after payment in full of the Series A Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Series A Bonds have been authorized or otherwise in accordance with the Bond Law.

SECTION 3.04. *Professionals; Estimated Financing Costs.* The firm of Jones Hall, A Professional Law Corporation, has previously been engaged to act as the District’s bond counsel and disclosure counsel, and the firm of Isom Advisors, a Division of Urban Futures, Inc. has previously been engaged to act as the District’s financial advisor, in connection with the issuance and sale of the Series A Bonds. The estimated costs of issuance associated with the bond sale are \$170,000, which includes bond counsel and disclosure counsel fees, costs of printing the Official Statement, financial advisor fees, rating agency fees, and paying agent fees, but which do not include underwriting fees and the cost of municipal bond insurance, if obtained.

SECTION 3.05. *Costs of Issuance Agreement.* In order to facilitate the payment of all or some Costs of Issuance, the Board hereby authorizes a District Representative to enter into or acknowledge an agreement, designating a bank identified therein, to serve as a custodian for receipt of a portion of the proceeds of the Series A Bonds to pay all or a portion of Costs of Issuance.

ARTICLE IV

SECURITY FOR THE SERIES A BONDS; DEBT SERVICE FUND

SECTION 4.01. *Security for the Series A Bonds.* The Series A Bonds are general obligations of the District. The Board has the power to direct the County to levy *ad valorem* taxes upon all property within the District that is subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates), for the payment of the Series A Bonds and the interest and redemption premium (if any) thereon. The District hereby directs the County to levy on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Series A Bonds are Outstanding in an amount sufficient to pay the principal of and interest on the Series A Bonds when due, including the principal of any Series A Bonds upon the mandatory sinking fund redemption thereof under Section 2.03(b), which moneys when collected will be paid to the County Treasurer and placed in the Debt Service Fund.

The principal of and interest and redemption premium (if any) on the Series A Bonds does not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents or employees thereof. Neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof are liable for the Series A Bonds. In no event are the principal of and interest and redemption premium (if any) on Series A Bonds payable out of any funds or properties of the District other than *ad valorem* taxes levied on taxable property in the District. The Series A Bonds, including the interest thereon, are payable solely from taxes levied under Sections 15250 and 15252 of the Education Code.

SECTION 4.02. *Establishment of Debt Service Fund.* The District hereby directs the County Treasurer to establish, hold and maintain a fund to be known as the “Tipton Elementary School District, 2015 Debt Service Fund”, which the County Treasurer shall maintain as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the Series A Bonds shall be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy.

The Debt Service Fund is hereby pledged for the payment of the principal of and interest on the Series A Bonds when and as the same become due, including the principal of any term Series A Bonds required to be paid upon the mandatory sinking fund redemption thereof. Amounts in the Debt Service Fund shall be transferred by the County to the Paying Agent to the extent required to pay the principal of and interest and redemption premium (if any) on the Series A Bonds when due. In addition, amounts on deposit in the Debt Service Fund shall be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

SECTION 4.03. *Disbursements From Debt Service Fund.* The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in the manner set forth in

this Section. The County Treasurer shall transfer amounts on deposit in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series A Bonds when due and payable, to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal of and interest on the Series A Bonds. DTC will thereupon make payments of principal and interest on the Series A Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Series A Bonds. Any moneys remaining in the Debt Service Fund after the Series A Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, as provided in Section 15234 of the Education Code.

SECTION 4.04. *Investments.* All moneys held in any of the funds or accounts established with the County hereunder will be invested in Authorized Investments in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder will be deposited in the fund or account from which such investment was made, and will be expended for the purposes thereof. The County Treasurer has no responsibility in the reporting, reconciling and monitoring of the investment of the proceeds of the Bonds.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. The District covenants that all investments of amounts deposited in any fund or account created by or under this Resolution, or otherwise containing proceeds of the Series A Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section, the term "Fair Market Value" shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

SECTION 5.01. *Punctual Payment.* The Board will direct the County to levy *ad valorem* taxes, as provided in Section 15250 of the Education Code, so as to enable the District to punctually pay, or cause to be paid, the principal of and interest on the Series A Bonds, in conformity with the terms of the Series A Bonds and of this Resolution. Nothing herein contained shall prevent the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Books and Accounts; Financial Statements.* The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District in which complete and correct entries are made of all transactions relating to the expenditure of the proceeds of the Series A Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal amount of the Series A Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.03. *Protection of Security and Rights of Series A Bond Owners.* The District will preserve and protect the security of the Series A Bonds and the rights of the Series A Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. Following the issuance of the Series A Bonds by the District, the Series A Bonds shall be incontestable by the District.

SECTION 5.04. *Tax Covenants.*

- (a) Private Activity Bond Limitation. The District shall assure that the proceeds of the Series A Bonds are not so used as to cause the Series A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.
- (b) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.
- (c) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Paying Agent or the County or otherwise, any action with respect to the proceeds of the Series A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.
- (d) Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest on the Series A Bonds from the gross income of

the Owners of the Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

- (e) Exemption from Rebate Requirement. The District is a governmental unit with the power to impose taxes of general applicability which, when collected, may be used for general purposes of the District; the Bonds are not private activity bonds within the meaning of section 141 of the Internal Revenue Code of 1986 (the "Code"); and ninety-five percent (95%) of the Net Sale Proceeds of the Bonds are to be used for local governmental activities of the District. The aggregate face amount (or, issue prices, in the case of issues with a net original issue discount or net original issue premium in excess of two percent (2%) of the principal amount of the issue, excluding original issue premium used for reasonable underwriter's compensation) of all tax-exempt obligations (other than private activity bonds as defined in section 141 of the Code) issued by the District, including all subordinate entities of the District and all entities which may issue obligations on behalf of the District, during the calendar year during which the Bonds are being issued, is not reasonably expected to exceed \$15,000,000, of which no more than \$5,000,000 is for other than the construction of public school facilities, excluding, however, that portion of current refunding obligations having a principal amount not in excess of the principal amount of the refunded obligation. By reason of the statements set forth in this subparagraph, the District will not rebate excess investment earnings, if any, to the federal government.

- (f) Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates the Bonds for purposes of paragraph (3) of section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Tax Code, except certain qualified 501(c)(3) bonds as defined in section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Bonds, has been or will be issued by the District, including all subordinate entities of the District, during the calendar year 2015.

SECTION 5.05. *Continuing Disclosure.* The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which shall be executed by a District Representative and delivered on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate does not constitute a default by the District hereunder or under the Series A Bonds; however, any Participating Underwriter (as that term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Series A Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

SECTION 5.06. *Further Assurances.* The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Series A Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* Wilmington Trust National Association is hereby appointed to act as Paying Agent for the Series A Bonds and, in such capacity, shall also act as registration agent and authentication agent for the Series A Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Series A Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the District by executing and delivering to the District a certificate or agreement to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the District and the Series A Bond Owners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent will become effective upon acceptance of appointment by the successor Paying Agent.

SECTION 6.02. *Paying Agent May Hold Series A Bonds.* The Paying Agent may become the owner of any of the Series A Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Agents.* The recitals of facts, covenants and agreements herein and in the Series A Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Series A Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in

this Resolution. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent is not liable for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

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

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent is not responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Paying Agent.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying 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 bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. *Compensation; Indemnification.* 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 their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The District further agrees to indemnify and save the Paying

Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII

REMEDIES OF SERIES A BOND OWNERS

SECTION 7.01. *Remedies of Series A Bond Owners.* Any Series A Bond Owner has the right, for the equal benefit and protection of all Series A Bond Owners similarly situated:

- (a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Series A Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Series A Bond Owners' rights; or
- (c) upon the happening and continuation of any default by the District hereunder or under the Series A Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. *Remedies Not Exclusive.* No remedy herein conferred upon the Owners of Series A Bonds is exclusive of any other remedy. Each and every remedy is cumulative and may be exercised in addition to every other remedy given hereunder or thereafter conferred on the Series A Bond Owners.

SECTION 7.03. *Non-Waiver.* Nothing in this Article VII or in any other provision of this Resolution or in the Series A Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Series A Bonds to the respective Owners of the Series A Bonds at the respective dates of maturity, as herein provided, or affects or impairs the right of action against the District, which is also absolute and unconditional, of such Owners to institute suit against the District to enforce such payment by virtue of the contract embodied in the Series A Bonds.

A waiver of any default by any Series A Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Series A Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Series A Bond Owners by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Series A Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Series A Bond Owners, the District and the Series A Bond Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

ARTICLE VIII

AMENDMENT OF THIS RESOLUTION

SECTION 8.01. *Amendments Effective Without Consent of the Owners.* The Board may amend this Resolution from time to time, without the consent of the Owners of the Series A Bonds, for any one or more of the following purposes:

- (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 confirm, as further assurance, any pledge under, and to subject 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;
- (c) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, in a manner which does not materially adversely affect the interests of the Series A Bond Owners in the opinion of Bond Counsel filed with the District; or
- (d) To make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Series A Bonds.

SECTION 8.02. *Amendments Effective With Consent of the Owners.* The Board may amend this Resolution from time to time for any purpose not set forth in Section 8.01, with the written consent of the Owners of a majority in aggregate principal amount of the Series A Bonds Outstanding at the time such consent is given. Without the consent of all the Owners of such Series A Bonds, no such modification or amendment shall permit (a) a change in the terms of maturity of the principal of any Outstanding Series A Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, (b) a reduction of the percentage of Series A Bonds the consent of the Owners of which is required to effect any such modification or amendment, (c) a change in any of the provisions in Section 7.01 or (d) a reduction in the amount of moneys pledged for the repayment of the Series A Bonds, and no right or obligation of any Paying Agent may be changed or modified without its written consent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, gives any person other than the District, the County, the Paying Agent and the Owners of the Series A Bonds, any right, remedy, claim under or by reason of this Resolution. The covenants, stipulations, promises or agreements in this Resolution are for the sole and exclusive benefit of the Owners of the Series A Bonds.

SECTION 9.02. *Defeasance of Series A Bonds.*

- (a) Discharge of Resolution. Any or all of the Series A Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:
- (i) by paying or causing to be paid the principal or redemption price of and interest on such Series A Bonds, as and when the same become due and payable;
 - (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem such Series A Bonds; or
 - (iii) by delivering such Series A Bonds to the Paying Agent for cancellation by it.

If the District pays all Outstanding Series A Bonds and also pays or causes to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Series A Bonds have not been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Resolution which are not required for the payment or redemption of Series A Bonds not theretofore surrendered for such payment or redemption.

- (b) Discharge of Liability on Series A Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem any Outstanding Series A Bond (whether upon or prior to its maturity or the redemption date of such Series A Bond), provided that, if such Series A Bond is to be redeemed prior to maturity, notice of such

redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Series A Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Series A Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Series A Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Series A Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

- (c) **Deposit of Money or Securities with Paying Agent.** Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series A Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and shall be:
 - (i) lawful money of the United States of America in an amount equal to the principal amount of such Series A Bonds and all unpaid interest thereon to maturity, except that, in the case of Series A Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Series A Bonds and all unpaid interest thereon to the redemption date; or
 - (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series A Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice.
- (d) **Payment of Series A Bonds After Discharge of Resolution.** Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Series A Bonds and remaining unclaimed for two years after the principal of all of the Series A Bonds has become due and payable (whether at maturity or upon call for

redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Series A Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Series A Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Series A Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. Thereafter, the District shall remain liable to the Owners for payment of any amounts due on the Series A Bonds, which amounts shall be deemed to be paid by the District from moneys remitted to it by the Paying Agent under this subsection (d).

SECTION 9.03. *Application of Provisions to Capital Appreciation Bonds and Convertible Capital Appreciation Bonds.* Whenever in this Resolution reference is made to the payment of the principal of and interest on the Series A Bonds, such reference includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds and the Conversion Value of the Convertible Capital Appreciation Bonds, as applicable, unless otherwise required by the context or by the express provisions of such reference.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Series A Bond Owners.* Any request, declaration or other instrument which this Resolution may require or permit to be executed by Series A Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Series A Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Series A Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Series A Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Series A Bond shall bind all future Owners of such Series A Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

SECTION 9.05. *Waiver of Personal Liability.* No Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Series A Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.06. *Limited Duties of County; Indemnification.* The County (including its officers, agents and employees) shall undertake only those duties of the County under this Resolution which are specifically set forth in this Resolution and in applicable provisions of the Bond Law and the Education Code, and even during the continuance of an event of default with respect to the Series A Bonds, no implied covenants or obligations shall be read into this Resolution against the County (including its officers, agents and employees).

The District further agrees to indemnify, defend and save the County (including its officers, agents and employees) harmless against any and all liabilities, costs, expenses, damages and claims which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

SECTION 9.07. *Destruction of Canceled Series A Bonds.* Whenever in this Resolution provision is made for the surrender to the District of any Series A Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Series A Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Series A Bonds therein referred to.

SECTION 9.08. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The District hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Series A Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the chief financial officer of the District in trust for the benefit of the Series A Bond Owners.

SECTION 9.09. *Effective Date of Resolution.* This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED on _____, 2015, by the following vote:

[Majority vote required]

AYES:

NOES:

ABSENT:

Tony Macedo
President of the Board of Trustees
Tipton Elementary School District,
Tulare County, California

ATTEST:

Greg Rice
Clerk of the Board of Trustees
Tipton Elementary School District,
Tulare County, California

APPENDIX A-1

FORM OF SERIES A CURRENT INTEREST BOND

REGISTERED BOND NO. _____

*****\$** _____ *******

TIPTON ELEMENTARY SCHOOL DISTRICT

(Tulare County, California)

GENERAL OBLIGATION BOND

2014 ELECTION, SERIES A

INTEREST RATE

PER ANNUM:

MATURITY DATE:

DATED DATE:

CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT: *** _____ **DOLLARS*****

The Tipton Elementary School District (the "District"), located in the County of Tulare (the "County"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the principal amount on the Maturity Date, each as stated above, and interest thereon, calculated on a 30/360 day basis, until the principal amount is paid or provided for, at the Interest Rate stated above, such interest to be paid on February 1 and August 1 of each year, commencing February 1, 2016 (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before January 15, 2016, in which event it shall bear interest from the Dated Date referred to above. Principal hereof is payable at the corporate trust office of the paying agent for the Bonds (the "Paying Agent"), initially being Wilmington Trust, National Association in Costa Mesa, California. Interest hereon (including the final interest payment upon maturity) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the 15th day of the month next preceding such Interest Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose.

Principal hereof is payable at the corporate trust office of the Paying Agent. Interest hereon (including the final interest payment upon maturity) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the 15th day of the month next preceding such Interest Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose.

This Bond is one of a duly authorized issue of Bonds of the District designated as “Tipton Elementary School District (Tulare County, California) General Obligation Bonds, 2014 Election, Series A” (the “Bonds”), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”), and under Resolutions of the Board of Trustees of the District adopted on August 11, 2015 (together, the “Resolution”), authorizing the issuance of the Bonds. The issuance of the Bonds has been authorized by the requisite 55% vote of the electors of the District cast at a special bond election held on November 4, 2014, upon the question of issuing bonds in the amount of \$3,300,000.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$_____ (of which this Bond is one), Capital Appreciation Bonds in the aggregate denominational amount of \$_____ and Convertible Capital Appreciation Bonds in the aggregate denominational amount of \$_____, all subject to the terms and conditions of the Resolution. All capitalized terms herein and not otherwise defined have the meaning given them in the Resolution. Reference is hereby made to the Resolution (copies of which are on file at the office of the Paying Agent) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The principal of and interest and redemption premium, if any, on this Bond does not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity as a whole, or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 20__ and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with interest thereon to the date fixed for redemption, without premium.

[If applicable:] The Bonds maturing on August 1, 20__ (the “Term Bonds”) are also subject to mandatory sinking fund redemption on or before August 1 in the years, and in the amounts, as set forth in

the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however,* that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced in the manner determined by the District in integral multiples of \$5,000.

Sinking Fund Redemption Date (<u>August 1</u>)	Principal Amount To Be <u>Redeemed</u>
--	--

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Neither the District nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond 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 Paying Agent and the Registered 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 Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; 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

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

APPENDIX A-2

FORM OF SERIES A CAPITAL APPRECIATION BOND

CAB BOND NO. _____

*****\$** _____ *******
(Maturity Value)

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

TIPTON ELEMENTARY SCHOOL DISTRICT

(Tulare County, California)

GENERAL OBLIGATION BOND

2014 ELECTION, SERIES A

ACCRETION RATE: MATURITY DATE: DATED DATE: CUSIP:

REGISTERED OWNER:

DENOMINATIONAL AMOUNT: * _____ DOLLARS*****

MATURITY VALUE: * _____ DOLLARS*****

The TIPTON ELEMENTARY SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner stated above, or registered assigns, the Maturity Value stated above on the Maturity Date stated above. The Accreted Value (as such term is defined in the within-mentioned Resolution) of this Bond as of any date will be determined in accordance with the Table of Accreted Values set forth hereon, representing the principal amount per \$5,000 of Maturity Value together with interest thereon from the Dated Date stated above, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2016 (each, a "Compounding Date"), on the basis of a 360-day year comprised of twelve 30-day months, at a rate equal to the Accretion Rate per annum set forth above. The Accreted Value hereof is payable upon presentation and surrender of this Bond at the corporate trust office of the paying agent for the Bonds (the "Paying Agent"), initially being Wilmington Trust, National Association, in Costa Mesa, California. The Accreted Value hereof is payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent.

This Bond is one of a duly authorized issue of Bonds of the District designated as "Tipton Elementary School District (Tulare County, California) 2014 Election, Series A General Obligation Bonds" (the "Bonds"), in an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and under a

Resolution of the Board of Trustees of the District adopted on August 11, 2015 (the "Resolution"), authorizing the issuance of the Bonds. The issuance of the Bonds has been authorized by the requisite 55% vote of the electors of the District cast at a special bond election held on November 4, 2014, upon the question of issuing bonds in the amount of \$3,300,000.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$_____, as Capital Appreciation Bonds (of which this Bond is one) in the aggregate denominational amount of \$_____ and Convertible Capital Appreciation Bonds in the aggregate denominational amount of \$_____, all subject to the terms and conditions of the Resolution. All capitalized terms herein and not otherwise defined have the meaning given them in the Resolution. Reference is hereby made to the Resolution (copies of which are on file at the office of the Paying Agent) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The principal of and interest and redemption premium, if any, on this Bond does not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity as a whole, or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 20__ and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with interest thereon to the date fixed for redemption, without premium.

[*If applicable:*] The Bonds maturing on August 1, 20__ (the "Term Bonds") are also subject to mandatory sinking fund redemption on or before August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however,* that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced in

the manner determined by the District in integral multiples of \$5,000, or on such other basis as designated pursuant to written notice filed by the District with the Paying Agent.

Sinking Fund
Redemption Date
(August 1)

Principal
Amount To Be
Redeemed

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Neither the District nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond 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 Paying Agent and the Registered 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 Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; 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, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This Bond shall be not be valid or obligatory for any purpose and is not entitled to any security or benefit under the Bond Resolution (described on the reverse hereof) until the Certificate of Authentication below has been manually signed by the Paying Agent.

IN WITNESS WHEREOF, the Tipton Elementary School District has caused this Bond to be executed by the facsimile signature of its President and attested by the facsimile signature of the Clerk of its Board of Trustees, all as of the date stated above.

TIPTON ELEMENTARY SCHOOL DISTRICT

By _____ *[EXHIBIT ONLY]*
President

Attest:

[EXHIBIT ONLY]
Clerk of the Board

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution.

Authentication Date:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as
Paying Agent

[EXHIBIT ONLY]
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

APPENDIX A-3

FORM OF SERIES A CONVERTIBLE CAPITAL APPRECIATION BOND

CONVERTIBLE CAB NO. _____

\$_____
(Conversion Value)

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
TULARE COUNTY

TIPTON ELEMENTARY SCHOOL DISTRICT

(Tulare County, California)

GENERAL OBLIGATION BOND

2014 ELECTION, SERIES A

		INTEREST RATE				
ACCRETION RATE:	CONVERSION DATE:	FOLLOWING CONVERSION:	MATURITY DATE:	DATED DATE:	CUSIP:	

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT: * _____ DOLLARS*****

CONVERSION VALUE: * _____ DOLLARS*****

The TIPTON ELEMENTARY SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner stated above, or registered assigns, the Conversion Value stated above on the Maturity Date stated above. Prior to the Conversion Date stated above, this Bond will not bear current interest, but will accrete in value on each Compounding Date, being February 1 and August 1, commencing on February 1, 2016, on the basis of a 360-day year comprised of twelve 30-day months, at a rate equal to the Accretion Rate per annum set forth above, to its Conversion Date. The Accreted Value (as such term is defined in the within-mentioned Bond Resolution) of this Bond as of any date prior to the Conversion Date will be determined in accordance with the Table of Accreted Values set forth hereon, representing the principal amount per \$5,000 of Conversion Value together with interest accreted thereon. From and after the Conversion Date identified above, this Bond will bear interest on a principal amount equal to the Conversion Value, payable on February 1 and August 1 of each year, commencing February 1, 20__ (the "Interest Payment Dates"), to maturity. The Conversion Value hereof is payable at the corporate trust office of the paying agent for the Bonds (the "Paying Agent"), initially being Wilmington Trust, National Association, in Costa Mesa, California. Interest hereon (including the final interest payment upon maturity) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the 15th day of the month next preceding such Interest Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose.

This Bond is one of a duly authorized issue of Bonds of the District designated as “Tipton Elementary School District (Tulare County, California) General Obligation Bonds, 2005 Election, Series A” (the “Bonds”), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”), and under a Resolution of the Board of Trustees of the District adopted on August 11, 2015 (together, the “Resolution”), authorizing the issuance of the Bonds. The issuance of the Bonds has been authorized by the requisite 55% vote of the electors of the District cast at a special bond election held on November 4, 2014, upon the question of issuing bonds in the amount of \$3,300,000.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$_____, as Capital Appreciation Bonds in the aggregate denominational amount of \$_____, and as Convertible Capital Appreciation Bonds (of which this Bond is one) in the aggregate denominational amount of \$_____, all subject to the terms and conditions of the Bond Resolution. All capitalized terms herein and not otherwise defined have the meaning given them in the Bond Resolution. Reference is hereby made to the Bond Resolution (copies of which are on file at the office of the Paying Agent) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Bond Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The principal of and interest and redemption premium, if any, on this Bond does not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

[Insert applicable redemption provisions]

For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions (principal amount, Maturity Value or Conversion Value, as appropriate), and any such portion may be separately redeemed.

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the

numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Neither the District nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond 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 Paying Agent and the Registered 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 Bond Resolution.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Paying Agent 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 DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), 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.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; 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, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This Bond shall be not be valid or obligatory for any purpose and is not entitled to any security or benefit under the Bond Resolution (described on the reverse hereof) until the Certificate of Authentication below has been manually signed by the Paying Agent.

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

**TABLE OF ACCRETED VALUES FOR
CONVERTIBLE CAPITAL APPRECIATION BONDS**

EXHIBIT A
TO
RESOLUTION NO. _____
OF THE
BOARD OF TRUSTEES OF THE TIPTON ELEMENTARY SCHOOL DISTRICT
[ITEMS REQUIRED PURSUANT TO ASSEMBLY BILL 182]

Assembly Bill 182 requires that the Board be presented with all of the following items, which are set forth below in this Exhibit A:

1. An analysis containing the total overall cost of the Series A Bonds that allow for the compounding of interest,
2. a comparison to the overall cost of issuing only current interest bonds,
3. the reasons bonds that allow for the compounding of interest are being recommended,
4. a copy of the disclosure made by the Underwriter (defined herein) in compliance with Municipal Securities Rulemaking Board Rule G-17, and
5. the annual assessed value growth assumptions to be used upon issuance of Series A Bonds.

Tipton Elementary School District

1. The total overall cost of the GO Bonds that allow for the compounding of interest is below:

Period Ending	Capital Appreciation Bonds (CABs)			Current Interest Bonds (CIBs)			Total Estimated CAB/CIB Debt Service
	Principal	Compounded Interest	Total	Principal	Interest	Total	
8/1/2016					\$ 113,015.00	\$ 113,015.00	\$ 113,015.00
8/1/2017					113,015.00	113,015.00	113,015.00
8/1/2018					113,015.00	113,015.00	113,015.00
8/1/2019					113,015.00	113,015.00	113,015.00
8/1/2020					113,015.00	113,015.00	113,015.00
8/1/2021					113,015.00	113,015.00	113,015.00
8/1/2022	\$ 40,592.00	\$ 9,408.00	\$ 50,000.00		113,015.00	113,015.00	163,015.00
8/1/2023	42,496.30	12,503.70	55,000.00		113,015.00	113,015.00	168,015.00
8/1/2024	43,906.20	16,093.80	60,000.00		113,015.00	113,015.00	173,015.00
8/1/2025	44,828.55	20,171.45	65,000.00		113,015.00	113,015.00	178,015.00
8/1/2026	45,278.10	24,721.90	70,000.00		113,015.00	113,015.00	183,015.00
8/1/2027	48,581.60	31,418.40	80,000.00		113,015.00	113,015.00	193,015.00
8/1/2028	48,271.50	36,728.50	85,000.00		113,015.00	113,015.00	198,015.00
8/1/2029	50,257.85	44,742.15	95,000.00		113,015.00	113,015.00	208,015.00
8/1/2030	49,451.00	50,549.00	100,000.00		113,015.00	113,015.00	213,015.00
8/1/2031	50,700.10	59,299.90	110,000.00		113,015.00	113,015.00	223,015.00
8/1/2032	49,668.50	65,331.50	115,000.00		113,015.00	113,015.00	228,015.00
8/1/2033	50,937.50	74,062.50	125,000.00		113,015.00	113,015.00	238,015.00
8/1/2034	49,471.50	80,528.50	130,000.00		113,015.00	113,015.00	243,015.00
8/1/2035	50,145.20	89,854.80	140,000.00		113,015.00	113,015.00	253,015.00
8/1/2036	50,518.50	99,481.50	150,000.00		113,015.00	113,015.00	263,015.00
8/1/2037	50,619.20	109,380.80	160,000.00		113,015.00	113,015.00	273,015.00
8/1/2038	50,473.00	119,527.00	170,000.00		113,015.00	113,015.00	283,015.00
8/1/2039	50,104.80	129,895.20	180,000.00		113,015.00	113,015.00	293,015.00
8/1/2040	49,538.70	140,461.30	190,000.00		113,015.00	113,015.00	303,015.00
8/1/2041				200,000.00	113,015.00	313,015.00	313,015.00
8/1/2042				210,000.00	104,415.00	314,415.00	314,415.00
8/1/2043				220,000.00	95,385.00	315,385.00	315,385.00
8/1/2044				225,000.00	85,925.00	310,925.00	310,925.00
8/1/2045				235,000.00	76,250.00	311,250.00	311,250.00
8/1/2046				250,000.00	64,500.00	314,500.00	314,500.00
8/1/2047				260,000.00	52,000.00	312,000.00	312,000.00
8/1/2048				275,000.00	39,000.00	314,000.00	314,000.00
8/1/2049				290,000.00	25,250.00	315,250.00	315,250.00
8/1/2050				215,000.00	10,750.00	225,750.00	225,750.00
	<u>\$915,840.10</u>	<u>\$ 1,214,159.90</u>	<u>\$ 2,130,000.00</u>	<u>\$ 2,380,000.00</u>	<u>\$ 3,491,865.00</u>	<u>\$ 5,193,775.00</u>	<u>\$ 8,001,865.00</u>

2. Comparison to the overall cost of issuing only current interest bonds (“CIBs”)

In response to AB 182’s requirement of providing a direct comparison of the cost of CABs to the cost of CIBs, the following is a debt service comparison table which converts the principal amount of the CABs into CIBs. In this comparison, the difference in the overall debt service cost is estimated at \$515,918.75. The CIBs scenario as described below is not viable as the par amount of this all CIBs structure would violate the tax rate of \$29.00 per \$100,000 of assessed value estimate provided to voters and the Proposition 39 tax rate limit of \$30.00 per \$100,000 of assessed value.

Period Ending	CAB/CIB Principal & Interest			Period Ending	CIB Principal & Interest		
	Principal	Interest	Debt Service		Principal	Interest	Debt Service
8/1/2016	\$ -	\$ 113,015.00	\$ 113,015.00	8/1/2016		\$ 149,157.50	\$ 149,157.50
8/1/2017	-	113,015.00	113,015.00	8/1/2017		149,157.50	149,157.50
8/1/2018	-	113,015.00	113,015.00	8/1/2018		149,157.50	149,157.50
8/1/2019	-	113,015.00	113,015.00	8/1/2019		149,157.50	149,157.50
8/1/2020	-	113,015.00	113,015.00	8/1/2020		149,157.50	149,157.50
8/1/2021	-	113,015.00	113,015.00	8/1/2021		149,157.50	149,157.50
8/1/2022	40,592.00	122,423.00	163,015.00	8/1/2022		149,157.50	149,157.50
8/1/2023	42,496.30	125,518.70	168,015.00	8/1/2023		149,157.50	149,157.50
8/1/2024	43,906.20	129,108.80	173,015.00	8/1/2024		149,157.50	149,157.50
8/1/2025	44,828.55	133,186.45	178,015.00	8/1/2025		149,157.50	149,157.50
8/1/2026	45,278.10	137,736.90	183,015.00	8/1/2026	\$ 5,000.00	149,157.50	154,157.50
8/1/2027	48,581.60	144,433.40	193,015.00	8/1/2027	15,000.00	149,001.25	164,001.25
8/1/2028	48,271.50	149,743.50	198,015.00	8/1/2028	20,000.00	148,495.00	168,495.00
8/1/2029	50,257.85	157,757.15	208,015.00	8/1/2029	30,000.00	147,795.00	177,795.00
8/1/2030	49,451.00	163,564.00	213,015.00	8/1/2030	35,000.00	146,670.00	181,670.00
8/1/2031	50,700.10	172,314.90	223,015.00	8/1/2031	45,000.00	145,357.50	190,357.50
8/1/2032	49,668.50	178,346.50	228,015.00	8/1/2032	55,000.00	143,557.50	198,557.50
8/1/2033	50,937.50	187,077.50	238,015.00	8/1/2033	65,000.00	141,357.50	206,357.50
8/1/2034	49,471.50	193,543.50	243,015.00	8/1/2034	80,000.00	138,757.50	218,757.50
8/1/2035	50,145.20	202,869.80	253,015.00	8/1/2035	90,000.00	135,557.50	225,557.50
8/1/2036	50,518.50	212,496.50	263,015.00	8/1/2036	100,000.00	131,957.50	231,957.50
8/1/2037	50,619.20	222,395.80	273,015.00	8/1/2037	115,000.00	127,832.50	242,832.50
8/1/2038	50,473.00	232,542.00	283,015.00	8/1/2038	130,000.00	123,088.75	253,088.75
8/1/2039	50,104.80	242,910.20	293,015.00	8/1/2039	145,000.00	117,726.25	262,726.25
8/1/2040	49,538.70	253,476.30	303,015.00	8/1/2040	160,000.00	111,745.00	271,745.00
8/1/2041	200,000.00	113,015.00	313,015.00	8/1/2041	180,000.00	105,145.00	285,145.00
8/1/2042	210,000.00	104,415.00	314,415.00	8/1/2042	185,000.00	97,405.00	282,405.00
8/1/2043	220,000.00	95,385.00	315,385.00	8/1/2043	195,000.00	89,450.00	284,450.00
8/1/2044	225,000.00	85,925.00	310,925.00	8/1/2044	205,000.00	81,065.00	286,065.00
8/1/2045	235,000.00	76,250.00	311,250.00	8/1/2045	210,000.00	72,250.00	282,250.00
8/1/2046	250,000.00	64,500.00	314,500.00	8/1/2046	225,000.00	61,750.00	286,750.00
8/1/2047	260,000.00	52,000.00	312,000.00	8/1/2047	235,000.00	50,500.00	285,500.00
8/1/2048	275,000.00	39,000.00	314,000.00	8/1/2048	245,000.00	38,750.00	283,750.00
8/1/2049	290,000.00	25,250.00	315,250.00	8/1/2049	260,000.00	26,500.00	286,500.00
8/1/2050	215,000.00	10,750.00	225,750.00	8/1/2050	270,000.00	13,500.00	283,500.00
	<u>\$ 3,295,840.10</u>	<u>\$ 4,706,024.90</u>	<u>\$ 8,001,865.00</u>		<u>\$ 3,300,000.00</u>	<u>\$ 4,185,946.25</u>	<u>\$ 7,485,946.25</u>

3. Reason for recommending CABs

CABs are recommended to be included in the authorizing resolution to allow the District to issue the full \$3.3 million authorization received at the Election of 2014 while remaining below the Proposition 39 tax rate limit of \$30.00 per \$100,000 of assessed value and the \$29.00 per \$100,000 of assessed value disclosed to voters. The need for the funding is due to the construction needs of the District.

4. A copy of the disclosure made by the Underwriter in compliance with Municipal Securities Rulemaking Board Rule G-17 is on pages 4-6 of this Exhibit A, below.

5. Estimated change in AV of taxable property within the District over the term of the bonds

3.50% annually, beginning FY15-16

June 19, 2015

Miguel Guerrero, Ed.D
Tipton School District
370 North Evans
Tipton, CA 93272

Re: **G-17 Letter for the Tipton School District, General Obligation Bonds, 2014 Election, Series A**

Dear Dr. Guerrero:

The Tipton School District (the "Issuer") and O'Connor & Company Securities, Inc. ("O'Connor") are entering into this memorandum to discuss issues related to the issuance of the Tipton School District, General Obligation Bonds, 2014 Election, Series A (the "Bonds" and the "Issue").

Engagement as Underwriter

Issuer is aware of the "Municipal Advisor Rule" of the Securities and Exchange Commission and the underwriter exclusion from the definition of "municipal advisor" for a firm serving as an underwriter for a particular issuance of municipal securities. Pursuant to the Agreement for Investment Banking Services entered into between the Issuer and O'Connor on October 7, 2014, the Issuer employed and designated O'Connor as the underwriter for the Issue. Issuer expects that O'Connor will provide advice to the Issuer on the structure, timing, terms and other matters concerning the Issue.

Role Disclosure

1. Municipal Securities Rulemaking Board ("MSRB") Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors;
2. the underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer and it has financial and other interests that differ from those of the issuer;
3. unlike a municipal advisor, the underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the issuer without regard to its own financial or other interests;
4. the underwriter has a duty to purchase the securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and
5. the Underwriter will review the official statement for the issuer's securities, and complete requisite due diligence, in accordance with, and as part of, its

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

Disclosures Relating to the Underwriter's Compensation

The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, according to the MSRB interpretative notice, it presents a conflict of interest since the underwriter may have an incentive to recommend to the issuer a transaction that is unnecessary or an incentive to recommend that the size of the transaction be larger than is necessary.

Conflicts of Interest Disclosures

O'Connor has not identified any additional potential or actual material conflicts that require disclosure.

Disclosures Relating to Complex Municipal Securities Financing

Since O'Connor has not recommended a "complex municipal securities financing" to the Issuer in connection with the Issue, additional disclosures are not required.

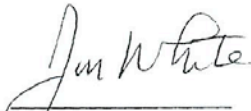
However, if the underwriter recommends to the Issuer a financing structure that may be considered a "complex municipal securities financing" for purposes of MSRB Rule G-17, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and are reasonably foreseeable at that time.

We are required to seek your acknowledgement of receipt of this letter. Accordingly, please sign and return a copy of this letter to me at jwhite@ocsec.com and at the address set forth above.

We look forward to working with you and the District in connection with the issuance of the Bonds. Thank you.

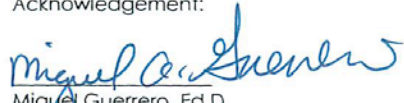
O'CONNOR & COMPANY SECURITIES
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Sincerely,



Jon White
Senior Vice President

Acknowledgement:


Miguel Guerrero, Ed.D
Superintendent
Tipton School District

Date: June 30 2015

cc : William Kadi, Esq., Jones Hall
Julie Wunderlich, Esq., Jones Hall
Rex Despain, Isom Advisors

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EXHIBIT B

NEW ISSUE - FULL BOOK-ENTRY

RATINGS: S&P: “__” (Insured)

“__” (Underlying)

See “RATINGS” herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Series A Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, the interest on the Series A Bonds is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds. See “TAX MATTERS” herein.

\$3,300,000*

TIPTON ELEMENTARY SCHOOL DISTRICT

(Tulare County, California)

General Obligation Bonds, Election of 2014, Series A

(Bank Qualified)

Dated: Date of Delivery**Due: August 1, as shown on inside front cover**

Authority and Purpose. The captioned bonds (the “Series A Bonds”) are being issued by the Tipton Elementary School District (the “District”) pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 11, 2015 (the “Bond Resolution”). The Series A Bonds are being issued to finance projects authorized by District voters at an election held on November 4, 2014, and to pay related costs of issuance. See “THE SERIES A BONDS – Authority For Issuance” and “THE FINANCING PLAN” herein.

Security. The Series A Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Tulare County (the “County”). The County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal and accreted value of, the Series A Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). See “SECURITY FOR THE SERIES A BONDS.”

Book-Entry Only. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive physical certificates representing their interests in the Series A Bonds. See “THE SERIES A BONDS” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payments. The Series A Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds (as such terms are defined in this Official Statement). Interest on the Current Interest Bonds accrues from the date of delivery at the rates set forth on the inside cover page hereof and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the accretion rate set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2016, until payment of the accreted value thereof at maturity or upon earlier redemption (if any). Payments of principal of and interest on, and in the case of the Capital Appreciation Bonds, the Accreted Value (as defined herein) of, the Series A Bonds will be paid by Wilmington Trust, National Association, Costa Mesa, California, as paying agent (the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants, which will remit such payments to beneficial owners of the Series A Bonds. See “THE SERIES A BONDS – Description of the Series A Bonds.”

Redemption. The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See “THE SERIES A BONDS – Redemption” and “– Mandatory Sinking Fund Redemption.”

Bond Insurance. The District has solicited offers from municipal bond insurers to issue a policy insuring the payment when due of principal and accreted value of and interest on the Series A Bonds. If it receives any such offer, the District will determine whether to accept an offer at the time it prices the Series A Bonds.

Maturity Schedule

(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Series A Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series A Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the District. Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter. It is anticipated that the Series A Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 9, 2015.

[O'Connor & Company Securities, Inc. Logo]

The date of this Official Statement is _____, 2015.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to buy or a 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 such jurisdiction.

MATURITY SCHEDULES*

\$3,300,000*
TIPTON ELEMENTARY SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2014, Series A
(Bank Qualified)

\$ _____ Denominational Amount
 (\$2,130,000* Maturity Value)
 Capital Appreciation Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP [†] (Base: _____)
2022				\$ 50,000	
2023				55,000	
2024				60,000	
2025				65,000	
2026				70,000	
2027				80,000	
2028				85,000	
2029				95,000	
2030				100,000	
2031				110,000	
2032				115,000	
2033				125,000	
2034				130,000	
2035				140,000	
2036				150,000	
2037				160,000	
2038				170,000	
2039				180,000	
2040				190,000	

\$2,380,000* Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base: _____)
2041	\$200,000				
2042	210,000				
2043	220,000				
2044	225,000				
2045	235,000				
2046	250,000				
2047	260,000				
2048	275,000				
2049	290,000				
2050	215,000				

*Preliminary; subject to change.

† Copyright 2015, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. 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 herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Series A Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Series A Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series A Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series A Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

TIPTON ELEMENTARY SCHOOL DISTRICT

BOARD OF TRUSTEES

Tony Macedo, *President*
Greg Rice, *Clerk*
John Cardoza, *Trustee*
Shelley Heeger, *Trustee*
Iva Leal-Sousa, *Trustee*

DISTRICT ADMINISTRATION

Miguel A. Guerrero, Ed.D., *Superintendent*
Anthony Hernandez, *Chief Business Officer*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc.
Walnut Creek, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

UNDERWRITER'S COUNSEL

Dannis Woliver Kelley
Long Beach, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Wilmington Trust, National Association
Costa Mesa, California

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\$3,300,000*
TIPTON ELEMENTARY SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2014, Series A
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the “**Series A Bonds**”) by the Tipton Elementary School District (the “**District**”).

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Series A Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District is located in the census-designated place of Tipton (“**Tipton**”) in the central San Joaquin Valley of California in the southwest portion of the County of Tulare (the “**County**”). The District was established in 1874. The District currently operates a single elementary school and provides kindergarten through eighth grade educational services to the residents of Tipton. Enrollment in the District in fiscal year 2014-15 was approximately 612 students. For more information regarding the District and its finances, see Appendix B attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the County.

Purpose. The Series A Bonds are being issued by the District to finance projects approved by District voters at a general obligation bond election held on November 4, 2014, as more particularly described and defined herein. See “THE FINANCING PLAN” herein.

Authority for Issuance of the Series A Bonds. The Series A Bonds will be issued under the provisions of the Government Code of the State, commencing with Section 53506 thereof (the “**Bond Law**”) and under a resolution adopted by the Board of Trustees of the District on August 11, 2015 (the “**Bond Resolution**”). See “THE SERIES A BONDS – Authority for Issuance” herein.

Payment and Registration of the Series A Bonds. The Series A Bonds are being issued as current interest bonds (the “**Current Interest Bonds**”) and capital appreciation bonds (the “**Capital Appreciation Bonds**”). The Series A Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Series A Bonds will be dated their date of original issuance and delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Series A Bonds. See “THE SERIES A BONDS” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Preliminary, subject to change.*

Redemption. The Series A Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their maturity as described in “THE SERIES A BONDS – Redemption” and “– Mandatory Sinking Fund Redemption.”

Security and Sources of Payment for the Series A Bonds. The Series A Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Series A Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE SERIES A BONDS.”

Bond Insurance. The District has solicited offers from municipal bond insurers to issue a policy insuring the payment when due of principal and accreted value of and interest on the Series A Bonds. If it receives any such offer, the District will determine whether to accept an offer at the time it prices the Series A Bonds.

Legal Opinion; Bank Qualified. Upon delivery of the Series A Bonds, Bond Counsel will release its final approving legal opinion with respect to the Series A Bonds, regarding the validity and tax-exempt status of the Series A Bonds, in the form attached hereto as Appendix D. In addition, Bond Counsel will opine that the Series A Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, subject to certain limitations as set forth in such opinion.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Series A Bonds are available from the District. The District may impose a charge for copying, mailing and handling. All capitalized terms used but not defined in this Official Statement shall have the meanings given to such terms in the Bond Resolution.

END OF INTRODUCTION

THE FINANCING PLAN

2014 Bond Authorization. At an election held on November 4, 2014, the District received authorization, by more than fifty-five percent of the qualified electors, to issue general obligation bonds in a principal amount not to exceed \$3,300,000 (the “**2014 Authorization**”). The following is the abbreviated form of the bond measure presented to District voters:

“To improve the quality of education with funding that cannot be taken by the State; increase student access to computers and modern technology; make health, safety and energy efficiency improvements; modernize outdated classrooms, restrooms and school facilities; and construct a gymnasium for school and community use; shall the Tipton Elementary School District issue \$3,300,000 of bonds at legal interest rates, have an independent citizens’ oversight committee and have NO money used for administrative salaries?”

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series A Bonds are as follows:

Sources of Funds

Principal Amount of Series A Bonds

Net Original Issue Premium

Total Sources

Uses of Funds

Building Fund

Debt Service Fund

Costs of Issuance*

Total Uses

**All estimated costs of issuance including, but not limited to, Underwriter’s discount, printing costs and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, Paying Agent, the Bond Insurer, if any, and the rating agency.*

THE SERIES A BONDS

Authority for Issuance

The Series A Bonds will be issued under the Bond Law and the Bond Resolution. The Bond Resolution was adopted on August 11, 2015. Pursuant to the requirements of the Bond Law, prior to adoption, the Bond Resolution and related items were presented to the Board of Trustees on August 4, 2015 as an informational item.

Description of the Series A Bonds

The Series A Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, both as described below. The Series A Bonds mature in the years and in the amounts as

set forth on the inside cover page hereof. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers of the Series A Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Series A Bonds. Payments of principal of and interest on the Series A Bonds will be paid by Wilmington Trust, National Association, Costa Mesa, California (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Series A Bonds.

As long as DTC’s book-entry method is used for the Series A Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Series A Bonds called for prepayment or of any other action premised on such notice. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Paying Agent, the District, the County, and the Underwriter of the Series A Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series A Bonds.

Current Interest Bonds. The Current Interest Bonds will be dated the Closing Date and issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds will bear interest payable semiannually each February 1 and August 1 (each, a “**Interest Payment Date**”), commencing February 1, 2016, at the interest rates shown on the inside front cover page of this Official Statement. Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated at least 15 days prior to the first interest payment date, in which event it shall bear interest from the Closing Date; *provided, however*, that if at the time of authentication of a Current Interest Bond, interest is in default thereon, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Current Interest Bond will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Current Interest Bond, including the final interest payment upon maturity, is payable by check, draft or wire of the Paying Agent mailed to the Owner thereof (which will be DTC so long as the Current Interest Bond are held in the book-entry system of DTC) at such Owner’s address as it appears on the bond register maintained by the Paying Agent as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the “**Record Date**”), or at such other address as the Owner may have filed with the Paying Agent for that purpose, or upon written request filed with the Paying Agent as of the Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer.

Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated the date of delivery, and accrete interest from such date. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value (defined below) or any integral multiple thereof (except that one Capital Appreciation Bond may be issued in a denomination the Maturity Value of which is not an integral multiple of \$5,000).

The Capital Appreciation Bonds do not bear current interest, but accrete in value at the respective accretion rates identified on the inside cover page hereof, compounded on each February 1 and August 1, commencing on February 1, 2016 (each, a “**Compounding Date**”), to maturity, from their original principal amounts (the “**Denominational Amount**”) on the date of delivery to its stated value at maturity (the “**Maturity Value**”). The Capital Appreciation Bonds are payable only at maturity or upon earlier redemption. The accreted value of the Capital Appreciation Bonds as of each Compounding Date is set forth in the accreted value table attached to each Capital Appreciation Bond, and the accreted value of any Capital Appreciation Bond as of any date between two Compounding Dates will be determined on the basis of straight-line interpolation (the “**Accreted Value**”). See “APPENDIX H – TABLE OF ACCRETED VALUES.”

The interest portion of the Maturity Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accreted and coming due on such date. Payments of the Maturity Value of the Capital Appreciation Bonds at maturity, or the Accreted Value of the Capital Appreciation Bonds upon the redemption thereof prior to maturity, will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Capital Appreciation Bonds.

See the maturity schedules on the inside cover page of this Official Statement and “DEBT SERVICE SCHEDULES” herein.

Optional Redemption

Current Interest Bonds. The Current Interest Bonds maturing on or before August 1, 20__* are not subject to redemption prior to their respective maturity dates. The Current Interest Bonds maturing on or after August 1, 20__*, are subject to redemption prior to their respective maturity dates, from moneys provided at the option of the District, in each case on any date on and after August 1, 20__*, at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Capital Appreciation Bonds. The Capital Appreciation Bonds maturing on or before August 1, 20__* are not subject to redemption prior to maturity. The Capital Appreciation Bonds maturing on or after August 1, 20__* are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__*, or on any date thereafter, at a price equal to 100% of the Accreted Value thereof as of the date of redemption, without premium.

Selection of Bonds for Purpose of Redemption. Whenever less than all of the Outstanding Series A Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Series A Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Current Interest Bond will be deemed to consist of individual bonds of \$5,000 portions. The Series A Bonds may all be separately redeemed.

* Preliminary; subject to change

Mandatory Sinking Fund Redemption*

The Current Interest Bonds maturing on August 1, 20__ and August 1, 20__ (the “**Current Interest Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the respective schedules set forth below at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption. The Current Interest Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payment amounts and on the dates set forth below, without premium.

Current Interest Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
---------------------------------------	------------------------------------

Current Interest Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
---------------------------------------	------------------------------------

If any Current Interest Term Bonds are optionally redeemed pursuant to the optional redemption provisions described above, the total amount of all future mandatory sinking fund payments with respect to such Current Interest Term Bonds will be reduced by the aggregate principal amount of such Current Interest Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Series A Bonds designated for redemption, at their addresses appearing on the Registration Books. Such notice may be a conditional notice of redemption and subject to rescission as described below. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series A Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Series A Bond Owners.

The notice of redemption shall state the redemption date and the redemption price and, if less than all of the then Outstanding Series A Bonds are to be called for redemption, shall designate the serial numbers of the Series A Bonds to be redeemed by giving the individual

* Preliminary; subject to change

number of each Series A Bond or by stating that all Series A Bonds between two stated numbers, both inclusive, or by stating that all of the Series A Bonds of one or more maturities have been called for redemption, and shall require that such Series A Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Series A Bonds will not accrue from and after the redemption date.

Effect of Redemption

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series A Bonds so called for redemption have been duly provided, the Series A Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice. The Paying Agent will cancel all Series A Bonds optionally redeemed and will furnish a certificate of cancellation to the District.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Series A Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series A Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Series A Bond Owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Registration, Transfer and Exchange of Series A Bonds

Transfer. Any Series A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series A Bond for cancellation at the Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Series A Bond issued upon any transfer. Whenever any Series A Bond or Bonds is surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Series A Bond or Bonds, for like aggregate principal amount. No transfers of Series A Bonds shall be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Series A Bonds for redemption or (b) with respect to a Series A Bond which has been selected for redemption.

Exchange. Series A Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Series A Bonds of authorized denominations and of the same maturity, 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. The District may charge a reasonable sum for each new Series A Bond issued upon any exchange (except in the cases of any exchange of temporary Series A Bonds for definitive Series A Bonds). No exchange of Series A Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Series A Bonds for redemption or (b) with respect to a Series A Bond after it has been selected for redemption.

Series A Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Series A Bonds (the “**Registration Books**”), which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series A Bonds as provided in the Bond Resolution.

Defeasance

Effect. If the District pays all Outstanding Series A Bonds and also pays or causes to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Series A Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Series A Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment as more fully described in the Bond Resolution.

Manner. The Bond Resolution provides that any or all of the Series A Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (i) by paying or causing to be paid the principal or redemption price of and interest on such Series A Bonds [(or the Maturity Value or Accreted Value thereof, in the case of Capital Appreciation Bonds)], as and when the same become due and payable;
- (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Series A Bonds; or
- (iii) by delivering such Series A Bonds to the Paying Agent for cancellation.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series A Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and shall be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Series A Bonds and all unpaid interest thereon to maturity, except that, in the case of Series A Bonds which are to be redeemed prior to maturity and for which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Series A Bonds and all unpaid interest thereon to the redemption date; or

- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series A Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

The Bond Resolution defines the term “**Federal Securities**” to mean United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service schedule with respect to the Series A Bonds (assuming no optional redemptions).

TIPTON ELEMENTARY SCHOOL DISTRICT Series A Bonds Debt Service Schedule

Year-Ending (August 1)	Current Interest Series A Bonds		Capital Appreciation Series A Bonds		Total Debt Service
	Principal	Interest	Denominational Amount	Accreted Interest	
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					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					

SECURITY FOR THE SERIES A BONDS

Ad Valorem Property Taxes

Bonds Payable from Ad Valorem Property Taxes. The Series A Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Series A Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Series A Bonds, which is maintained by the County Office of Education and which is irrevocably pledged for the payment of principal of and interest on the Series A Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Series A Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series A Bonds. Fluctuations in the annual debt service on the Series A Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

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

Debt Service Fund

The County Office of Education will establish a Debt Service Fund (the "**Debt Service Fund**") for the Series A Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Series A Bonds will be deposited in the Debt Service Fund by the County Office of Education promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Series A Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Series A Bonds as the same becomes due and payable.

If, after payment in full of the Series A Bonds, any amounts remain on deposit in a Debt Service Fund, the District shall transfer such amounts to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Series A Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal of and interest on the Series A Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Series A Bonds, the Series A Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% 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 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498) (“**SB 813**”), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. 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 record in the county recorder’s office, in order to obtain a lien

on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

Assessed Valuation History. The table below shows recent history of the District’s assessed valuation.

**TIPTON ELEMENTARY SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2005-06 to 2014-15**

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	% Change
2005-06	\$293,152,148	\$1,110,580	\$31,391,505	\$325,654,233	-- %
2006-07	314,532,023	1,046,215	35,110,251	350,688,489	7.7
2007-08	329,740,585	793,333	35,826,717	366,360,635	4.5
2008-09	341,317,128	778,697	47,938,873	390,034,698	6.5
2009-10	349,870,043	1,006,708	48,174,380	399,051,131	2.3
2010-11	360,023,913	1,006,708	53,122,050	414,152,671	3.8
2011-12	358,059,248	1,006,708	52,088,344	411,154,300	(0.7)
2012-13	380,116,577	1,006,708	42,656,392	423,779,677	3.1
2013-14	386,882,011	1,077,732	41,932,402	429,892,145	1.4
2014-15	392,076,602	1,077,732	50,521,984	443,676,318	3.2

Source: California Municipal Statistics, Inc.

As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation may result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts. With respect to droughts specifically, the State of California is currently facing water shortfalls, and on January 17, 2014 the Governor declared a state of drought emergency, calling on Californians to conserve water. As part of his declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the California State Water Resources Control Board (the “Water Board”)

issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016. The District cannot predict or make any representations regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District, according to fiscal year 2014-15 assessed valuation.

**TIPTON ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2014-15**

	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	548	\$46,113,841	\$84,149	\$76,263

<u>2014-15 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	40	7.299%	7.299%	\$ 615,531	1.335%	1.335%
\$25,000 - \$49,999	80	14.599	21.898	3,035,392	6.582	7.917
\$50,000 - \$74,999	133	24.270	46.168	8,414,110	18.246	26.164
\$75,000 - \$99,999	197	35.949	82.117	16,757,053	36.338	62.502
\$100,000 - \$124,999	45	8.212	90.328	4,974,341	10.787	73.289
\$125,000 - \$149,999	17	3.102	93.431	2,289,692	4.965	78.254
\$150,000 - \$174,999	9	1.642	95.073	1,447,836	3.140	81.394
\$175,000 - \$199,999	11	2.007	97.080	2,081,826	4.515	85.909
\$200,000 - \$224,999	4	0.730	97.810	839,777	1.821	87.730
\$225,000 - \$249,999	4	0.730	98.540	974,059	2.112	89.842
\$250,000 - \$274,999	2	0.365	98.905	529,837	1.149	90.991
\$275,000 - \$299,999	0	0.000	98.905	0	0.000	90.991
\$300,000 - \$324,999	1	0.182	99.088	315,848	0.685	91.676
\$325,000 - \$349,999	0	0.000	99.088	0	0.000	91.676
\$350,000 - \$374,999	0	0.000	99.088	0	0.000	91.676
\$375,000 - \$399,999	0	0.000	99.088	0	0.000	91.676
\$400,000 - \$424,999	1	0.182	99.270	417,541	0.905	92.581
\$425,000 - \$449,999	1	0.182	99.453	426,199	0.924	93.506
\$450,000 - \$474,999	0	0.000	99.453	0	0.000	93.506
\$475,000 - \$499,999	0	0.000	99.453	0	0.000	93.506
\$500,000 and greater	3	0.547	100.000	2,994,799	6.494	100.000
Total	548	100.000%		\$46,113,841	100.000%	

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

Assessed Valuation by Land Use. The following table shows the land use of parcels in the District, according to County records for fiscal year 2014-15. As shown, the majority of land in the District is used for residential purposes.

**TIPTON ELEMENTARY SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2014-15**

	2014-15 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Dairies	\$194,745,895	49.67%	283	28.73%
Commercial/Office	13,684,327	3.49	29	2.94
Vacant Commercial	800,812	0.20	15	1.52
Industrial	129,415,203	33.01	17	1.73
Vacant Industrial	576,222	0.15	7	0.71
Government/Social/Institutional	760,107	0.19	16	1.62
Subtotal Non-Residential	<u>\$339,982,566</u>	86.71%	367	37.26%
Residential:				
Single Family Residence	\$46,113,841	11.76%	548	55.63%
Mobile Home	937,593	0.24	25	2.54
2-4 Residential Units	2,108,163	0.54	15	1.52
5+ Residential Units/Apartments	1,939,261	0.49	4	0.41
Vacant Residential	995,178	0.25	26	2.64
Subtotal Residential	<u>\$52,094,036</u>	13.29%	618	62.74%
Total	\$392,076,602	100.00%	985	100.00%

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

Assessed Valuation by Jurisdiction. The following table shows the percentage of assessed valuation by jurisdiction in the County of the District for fiscal year 2015-15.

**TIPTON ELEMENTARY SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2014-15**

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction⁽¹⁾	% of Jurisdiction in School District
Unincorporated Tulare County	\$443,676,318	100.00%	\$11,366,695,212	3.90%
Total District	\$443,676,318	100.00%		
Tulare County	\$443,676,318	100.00%	\$29,112,350,884	1.52%

(1) Before deduction of redevelopment incremental valuation.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full

cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” in Appendix B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Series A Bonds to increase accordingly, so that the fixed debt service on the Series A Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area in the District for fiscal years 2010-11 through 2014-15.

**TIPTON ELEMENTARY SCHOOL DISTRICT
Summary of Ad Valorem Tax Rates
\$1 per \$100 of Assessed Valuation
Fiscal Years 2010-11 through 2014-15
(Tax Rate Area 147-001)⁽¹⁾**

	2010-11	2011-12	2012-13	2013-14	2014-15
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
Tulare Union High School District	.038800	.052600	.057800	.069100	.063200
College of The Sequoias – Tulare SFID	.025000	.027700	.027700	.023200	.025000
Tulare Local Healthcare District	.112867	.112850	.081500	.081500	.081500
Total Tax Rate	1.176667	1.193150	1.167000	1.173800	1.169700

(1) 2014-15 Assessed Valuation of TRA 147-001 is \$272,597,851 which is 61.44% of the District’s total Assessed Valuation.
Source: California Municipal Statistics, Inc.

Property Tax Collections

The District’s total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District’s designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District’s total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

Commencing fiscal year 2009-10, the Board of Supervisors of the County previously ordered the discontinuance of its Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”) as provided for in the State Revenue and Taxation Code. As a result, the amount of the levy of *ad valorem* taxes in the District depends upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. So long as the Teeter Plan is no longer in effect with respect to the District, the District’s receipt of revenues with respect to the levy of *ad valorem* property taxes will be dependent upon actual collections of the *ad valorem* property taxes by the County.

The tables below show the secured tax charge and delinquency rate for fiscal years 2009-10 through 2013-14.

**TIPTON ELEMENTARY SCHOOL DISTRICT
2009-10 through 2013-14
Secured Tax Charges and Delinquency Rates
(1% General Fund Apportionment)**

<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2009-10	\$520,765.53	\$29,569.07	5.68%
2010-11	533,531.35	28,984.39	5.43
2011-12	521,320.21	17,733.11	3.40
2012-13	527,904.25	16,281.53	3.08
2013-14	550,401.99	12,445.84	2.26

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2014-15:

**TIPTON ELEMENTARY SCHOOL DISTRICT
Largest 2014-15 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	California Milk Producers	Industrial	\$ 58,486,431	14.92%
2.	Ventura Coastal LLC	Industrial	46,023,512	11.74
3.	Mozzarella Fresca Inc.	Industrial	18,770,691	4.79
4.	Rick L. and Lanell G. Gorzeman	Dairy	12,652,636	3.23
5.	John W. and Marjorie L. Roeloffs Trust	Dairy	11,506,963	2.93
6.	The Van Beek Brothers	Dairy	11,062,974	2.82
7.	Tom L. and Gesiena G. Kroes Trust	Dairy	10,537,692	2.69
8.	Frank V. and Crystal Schott Trust	Dairy	9,543,916	2.43
9.	Arthur D. and Sandra Van Beek	Dairy	8,398,949	2.14
10.	Five Star Dairy	Dairy	7,707,424	1.97
11.	Bosma Dairy North	Dairy	7,092,577	1.81
12.	3P Farms LP	Dairy	6,317,053	1.61
13.	3B Land Company	Dairy	6,245,614	1.59
14.	C.A. Vanderham & Sons Dairies	Dairy	5,698,667	1.45
15.	Santokh S. and Arpinder Toor Trust	Vineyards	5,040,077	1.29
16.	South Fork Land Holdings LLC	Agricultural	4,147,614	1.06
17.	Victor Mendes Trust	Agricultural	3,607,141	0.92
18.	H&T Real Estate	Dairy	3,539,873	0.90
19.	Joseph M. and Elizabeth O. Macedo	Dairy	3,529,039	0.90
20.	Fruit Growers Supply Co.	Industrial	3,401,774	0.87
	Total		\$243,310,617	62.06%

(1) 2014-15 Total Secured Assessed Valuation: \$392,076,602
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of July 1, 2015. 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.

TIPTON ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of July 1, 2015)

2014-15 Assessed Valuation: \$443,676,318

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/15</u>
College of Sequoias Tulare School Facilities Improvement District	5.733%	\$ 2,074,930
Tulare Joint Union High School District	7.417	2,382,961
Tipton School District	100.000	- ⁽¹⁾
Tulare Local Healthcare District	7.206	6,111,409
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$10,569,300

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Tulare County General Fund Obligations	1.524%	\$ 654,101
Tulare County Board of Education Certificates of Participation	1.524	561,823
College of Sequoias Certificates of Participation	1.655	133,145
Tipton School District Qualified Zone Academy Bonds	100.000	1,581,105
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,930,174

COMBINED TOTAL DEBT \$13,499,474⁽²⁾

Ratios to 2014-15 Assessed Valuation:

Direct Debt	- %
Total Overlapping Tax and Assessment Debt	2.38%
COMBINED DIRECT DEBT (\$1,581,105)	0.36%
Combined Total Debt	3.04%

(1) Excludes Series A Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: *California Municipal Statistics, Inc.*

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "**Tax Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Series A Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series A Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds.

Bank Qualified. The Tax Code generally prohibits the deduction of interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Series A Bonds. Banks and financial institutions, however, are permitted an 80% deduction for their interest expense allocable to "qualified tax-exempt obligations" of small governmental units (a) that together with their subordinate entities or entities issuing on their behalf and entities on whose behalf they issue do not reasonably expect to issue in the aggregate more than \$10,000,000 of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds in a calendar year), and (b) that designate such obligations as "qualified tax-exempt obligations". The District has (a) represented that it expects that it and all of the above-described entities will not issue in the aggregate more than \$10,000,000 of tax-exempt obligations during calendar year 2015, and (b) designated the Series A Bonds as "qualified tax-exempt obligations."

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "**original issue discount**" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "**original issue premium**" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with

straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series A Bonds who purchase the Series A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series A Bond (said term being the shorter of the Series A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series A Bond is amortized each year over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Series A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series A Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Series A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series A Bonds other than as expressly described above.

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series A Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

Legality for Investment

Under provisions of the California Financial Code, the Series A Bonds are legal investments for commercial banks in California to the extent that the Series A Bonds, in the

informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Series A Bonds are eligible to secure deposits of public moneys in California.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Series A Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series A Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Series A Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Isom Advisors, A Division of Urban Futures, Inc., as financial advisor to the District, and Dannis Woliver Kelley, as Underwriter's Counsel, is contingent upon issuance of the Series A Bonds.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Series A Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Series A Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently is March 31), commencing March 31, 2016 with the report for the 2014-15 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Series A Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

Isom Advisors, A Division of Urban Futures, Inc. will serve as the District's dissemination agent in connection with the District's undertaking for the Series A Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") has assigned its rating of "___" to the Series A Bonds with the understanding that the Policy will be issued by the Insurer contemporaneously with the issuance of the Series A Bonds. S&P has also assigned an underlying rating of "___" to the Series A Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such ratings reflect only the view of S&P and an explanation of the significance of such ratings and outlook may be obtained only from S&P. There is no assurance that any credit ratings given to the Series A Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series A Bonds.

UNDERWRITING

The Series A Bonds are being purchased by O'Connor & Company Securities, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Series A Bonds at a price of \$_____ which is equal to the initial principal amount of the Series A Bonds of \$_____, plus net original issue premium of \$_____ and less an Underwriter's discount of \$_____. The purchase contract relating to the Series A Bonds provides that the Underwriter will purchase all of the Series A Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and reference is made to such documents for complete statements of such provisions. Copies of the documents mentioned are available from the Underwriter and following delivery of the Series A Bonds will be on file at the offices of the Paying Agent in Costa Mesa, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

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

TIPTON ELEMENTARY SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A
TIPTON ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2013-14

APPENDIX B

GENERAL AND FINANCIAL INFORMATION FOR THE TIPTON ELEMENTARY SCHOOL DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series A Bonds is payable from the General Fund of the District. The Series A Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES A BONDS –Security for the Series A Bonds" in the front half of the Official Statement.

GENERAL DISTRICT INFORMATION

General Information

The District is a single school district comprised of Tipton Elementary School, located in the central San Joaquin Valley in the southwest portion of the County of Tulare (the "**County**"). The District was established in 1874 and serves a small agricultural community. The District provides educational services to kindergarten through eighth grade students in approximately 30 classrooms. Enrollment in the District in fiscal year 2014-15 is approximately 612 students. There were no changes in the boundaries of the District during fiscal year 2014-15.

Administration

Board of Education. The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below.

Name	Position	Term Expires
Tony Macedo	President	December 2016
Greg Rice	Clerk	December 2018
John Cardoza	Member	December 2018
Shelley Heeger	Member	December 2016
Iva Leal-Sousa	Member	December 2018

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Mr. Miguel A. Guerrero, Ed. D. currently serves as the Superintendent of the District. Mr. Anthony Hernandez serves as the Chief Business Officer of the District.

Recent Enrollment Trends

The following table shows recent enrollment history for the District.

ANNUAL ENROLLMENT
Fiscal Years 2005-06 (Actuals) through 2015-16 (Projected)
Tipton Elementary School District

School Year	Enrollment
2005-06	584
2006-07	595
2007-08	601
2008-09	621
2009-10	635
2010-11	651
2011-12	627
2012-13	607
2013-14	598
2014-15	612
2015-16*	621

**Projected.*
Source: California Department of Education, Educational Demographics Unit for 2005-06 to 2014-15; District Second Interim Report for 2015-16.

Employee Relations

Certificated Personnel. The District employs approximately 32 certificated employees. Certificated employees that are teaching are represented by the Associated Teachers of Tipton CTA/NEA. The District and the Associated Teachers of Tipton CTA/NEA are currently operating under a contract that expires on June 30, 2016.

Classified Personnel. The District employs approximately 41 classified employees. The California School Employees Association (“**CSEA**”) is the bargaining agent for non-teaching (classified) personnel. The District and the CSEA are currently operating under a contract that expires on June 30, 2016.

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DISTRICT FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series A Bonds is payable from the General Fund of the District. The Series A Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The average base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income

families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

Based on revenue projections, districts will reach what is referred to as “full funding” in eight years, being fiscal year 2020-21. This projection assumes that the State’s economy will improve each year; if the economy falters it could take longer to reach full funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

Grade Span Funding at Full LCFF Implementation (Target Amount)

Grade Span	Base Grant ⁽¹⁾	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	\$6,845	\$712	\$7,557	\$7,935	\$8,313	\$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	\$216	8,505	8,930	9,355	12,119

(1) Does not include adjustments for cost of living.
Source: California Department of Education.

The new legislation included a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, 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.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2014 Audited Financial Statements were prepared by M. Green and Company, LLP, Visalia, California and are attached hereto as Appendix A. Audited financial statements for the District for prior fiscal years are on file with the

District and available for public inspection at the Office of the Superintendent, Tipton Elementary School District, 370 N. Evans Road, Tipton California, 93272. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2009-10 through 2013-14.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2009-10 through 2013-14 (Audited)
Tipton Elementary School District

	Audited 2009-10	Audited 2010-11	Audited 2011-12	Audited 2012-13	Audited 2013-14
SOURCES					
Revenue Limit/LCFF Sources ⁽¹⁾					
State Apportionment	\$2,333,429	\$2,545,786	\$2,566,276	\$2,549,729	\$3,485,560
Education Protection Account Funds	--	--	--	--	632,188
Local Sources	458,495	486,160	475,080	508,178	272,595
Federal Revenue	407,936	440,953	486,757	256,322	188,601
Other State Revenue	2,178,143	1,839,659	1,667,213	1,523,745	578,742
Other Local Revenue	185,167	191,248	260,206	250,398	171,527
Total Revenue Limit	<u>\$5,563,170</u>	<u>\$5,503,806</u>	<u>\$5,455,532</u>	<u>\$5,088,372</u>	<u>\$5,329,213</u>
EXPENDITURES					
Instruction	3,289,204	3,581,779	3,499,332	3,471,925	3,478,841
Instruction – Related Services	278,127	434,908	438,571	329,728	337,655
Pupil Services	408,540	332,731	605,419	298,351	241,385
General Administration	563,522	442,929	440,533	442,569	451,692
Plant Services	548,861	1,259,409	471,620	433,435	454,298
Other Outgo	--	--	--	--	34,052
Total Expenditures	<u>5,088,254</u>	<u>6,051,756</u>	<u>5,455,475</u>	<u>4,976,008</u>	<u>4,997,923</u>
Excess of (Deficiency) of Revenues Over Expenditures	474,916	(547,950)	57	112,364	331,290
OTHER FINANCING SOURCES					
Transfers In	--	--	--	--	--
Transfer Out	--	--	--	--	(48,750)
Other Sources	--	--	--	--	--
Other Uses	--	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--	(48,750)
NET Change in Fund Balance	474,916	(547,950)	57	112,364	282,540
Fund Balance, July 1	2,321,519	3,037,584 ⁽²⁾	2,093,790 ⁽³⁾	2,093,847	2,206,211
Fund Balance, June 30	<u>\$2,796,435</u>	<u>\$2,489,634</u>	<u>\$2,093,847</u>	<u>\$2,206,211</u>	<u>\$2,488,751</u>

(1) LCFF commenced in fiscal year 2013-14.

(2) Reflects increase of \$241,149 due to implementation of GASB Statement No. 54.

(3) Reflects decrease of \$395,844 due to restatement of funds for GASB Statement No. 54.

Source: Tipton Elementary School District - Audited Financial Statements.

District Budget and Interim Financial Reporting

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

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Tulare County Superintendent of Schools (the “**County Superintendent**”).

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

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

A State law adopted in 1991 (“**A.B. 1200**”) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent

fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Tipton Elementary School District, 370 N. Evans Road, Tipton California, 93272. The District may impose charges for copying, mailing and handling.

District's 2014-15 Figures. The following table shows the income and expense statements for the District for fiscal year 2014-15 (budgeted and Second Interim budget projections).

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REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2014-15 (Adopted Budget and Second Interim)
Tipton Elementary School District

	Budgeted Fiscal Year 2014-15	Second Interim Fiscal Year 2014-15
<u>Revenues</u>		
LCFF Sources ⁽¹⁾	\$4,825,816	\$4,864,773
Federal revenues	172,257	212,080
Other state revenues	250,354	377,887
Other local revenues	130,695	182,356
Total Revenues	5,379,122	5,637,096
<u>Expenditures</u>		
Certificated salaries	2,280,235	2,369,391
Classified salaries	692,255	824,102
Employee benefits	1,270,918	1,328,663
Books and supplies	489,931	557,098
Contract services & operating exp.	646,417	702,116
Capital outlay	9,094	0
Other outgo (excluding indirect costs)	89,991	93,625
Other outgo – transfers of indirect costs	(20,000)	(20,000)
Total expenditures	5,458,841	5,854,995
Excess of revenues over/(under) expenditures	(79,719)	(217,899)
<u>Other financing sources (Uses)</u>		
Operating transfers in	37,565	50,724
Operating transfers out	--	--
Total other financing sources (uses)	37,565	50,724
Net change in fund balance	(42,154)	(167,175)
Fund balance, July 1 ⁽²⁾	1,936,499	2,177,350
Fund balance, June 30	\$1,894,345	\$2,010,175

(1) LCFF commenced in fiscal year 2013-14. The District has a high proportion of English language learners, students from low income families and foster youth (97.8% of student population). Therefore, funding under the LCFF includes base grant funding, supplemental funding and concentration grant funding.

(2) Beginning fund balance at time of budget adoption.

Source: *Tipton Elementary School District Second Interim Report for Fiscal Year 2014-15.*

Assumptions Used with Respect to 2014-15 Budget. The District's fiscal year 2014-15 Budget was adopted on June 3, 2014. Financial assumptions for budget development included: growth in ADA by 1.4% (9 students), LCFF gap funding by 10.1%, step and column payroll increases of 3.9%. The District updates its budget twice following original adoption.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. Due to the small size of the District, the minimum required reserve has been lowered to 1%. The requirement was not met in fiscal year 2013-14 but the District anticipates meeting the requirements in 2015-16.

In connection with legislation adopted in connection with the State’s fiscal year 2014-15 Budget (“**SB 858**”), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district’s proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision which limits the amount of reserves which may be maintained at the District level. This proposed reserve fund “cap” was conditioned on the success of Proposition 2 on the November 4, 2014 statewide ballot, which was approved by voters. This provision may, under certain circumstances, limit the District’s ability to maintain reserves above a certain level. The District cannot predict how this legislation will impact its reserves and future spending. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS – 2014-15 State Budget.”

Attendance and LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. Because of the District’s unduplicated targeted student enrollment count of generally under 20% since implementation of LCFF in 2013-14, the District qualifies for some supplemental funding and concentration grant funding.

The following table sets forth LCFF funding for the District for fiscal year 2014-15 school year.

**AVERAGE DAILY ATTENDANCE AND LCFF
Fiscal Year 2014-15
Tipton Elementary School District
ADA and Target Student Percentages (LCFF Implemented)**

Fiscal Year		K-3	4-6	7-8	9-12	<u>Total</u>
2014-15	ADA⁽¹⁾	281	188	114	N/A	583
	Targeted					
	Base Grant	\$6,952	\$7,056	\$7,266	N/A	
	Supplemental Grant	1,463	1,345	1,385	N/A	
	Concentration Grant	1,547	1,422	1,465	N/A	
	Total	\$9,962	\$9,823	\$10,116		

(1) Over 95% of the District’s student population (unduplicated count) consists of students which qualify the District for supplemental and concentration grant funding. In addition, the District is entitled under the LCFF for an economic recovery funding. Target funding under LCFF for fiscal year 2014-15 was \$639,030. Tipton Elementary will receive approximately 14.85% more per student for low income pupils, foster youth, and English Learners.
Source: *Tipton Elementary School District*.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material. For additional discussion of State aid to school districts, see "– State Funding of Education."

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the

State Teachers' Retirement System (“STRS”) and classified employees are members of the Public Employees' Retirement System (“PERS”).

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher’s Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute a legislatively determined rate. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The District’s contributions to STRS for the past three and current projected fiscal years are set forth in the following table.

**STRS Contributions
Tipton Elementary School District
Fiscal Years 2011-12 through 2014-15 (Projected)**

Fiscal Year	Amount
2011-12	\$169,714
2012-13	174,113
2013-14	168,932
2014-15*	264,048

**Projected in Second Interim Report.
Source: Tipton Elementary School District.*

New Legislation Regarding STRS Contributions Implemented in FY 2014-15. In connection with the State’s adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (“**AB 1469**”), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below section entitled “State Pension Trusts”). AB 1469 addresses the funding gap by increasing contributions of plan members, employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for fiscal years 2014-15 through 2020-21 are summarized in the following table.

AB 1469 STRS Employer Contribution Rates

Fiscal Year	% Increase From FY 2013-14 Rate* Under AB 1469	Total Contribution Rate
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal year 2013-14 rate of 8.25%.*

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the normal cost is 11.85%, which rounds to a 6.0% contribution rate. "Classic" plan members continue to contribute 7.0%. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to PERS for the past three and current projected fiscal years are set forth in the following table.

**PERS Contributions
Tipton Elementary School District
Fiscal Years 2011-12 through 2014-15 (Projected)**

Fiscal Year	Amount
2011-12	\$93,915
2012-13	106,960
2013-14	95,875
2014-15*	108,841

**Projected in Second Interim Report.
Source: Tipton Elementary School District.*

PERS Board Adopts New Employer Contribution Rates. On April 16, 2014, the Board of Administration of PERS approved new contribution rates beginning on July 1, 2014. School district employer contribution rates will reflect new demographic assumptions and other changes in actuarial assumptions which were adopted by the Board in February 2014. The new assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over twenty years and the increases phased in over the first five years. These new employer contribution rates continue to recognize asset losses from prior years. Projected employer contribution rates for school districts are as follows:

Projected PERS Contribution Rates for School Districts

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.7%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

Source: California Public Employees' Retirement System

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being \$8.7 billion for PERS as of June 30, 2014 (the date of the last actuarial valuation for PERS) and \$72.7 billion for STRS as of June 30, 2014 (the date of the last actuarial valuation for STRS). As described above, AB 1469 was enacted in connection with the State's 2014-15 Budget in an attempt to reduce and eliminate the unfunded liability of the STRS pension plan, and the PERS Board has recently taken actions to increase contribution rates in

order to address unfunded liabilities.

Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, enacting the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amending various sections of the California Education and Government Codes. AB 340 (i) increased the retirement age for new State, school, and city and local agency employees depending on job function, (ii) capped the annual PERS and STRS pension benefit payouts, (iii) addressed numerous abuses of the system, and (iv) required State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the Districts, have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employees and employers, including the Districts and other employers in the STRS system, will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, the provisions of AB 1469 effective as of July 1, 2014 effectively addressed the contribution requirements of STRS members, employers and the State.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST and through the STRS web site at http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf. *The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Other Post-Employment Retirement Benefits

The Plan Generally. The Tipton Elementary School District Retiree Health Benefits Plan (the “Plan”) is a self-funded, single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, prescription drug, dental, vision and behavioral health plans for all eligible active and retired employees and their dependents. The Plan covers certificated employees who retire from the District on or after age 58 with at least 18 years of service, and benefits are paid until age 65. The plan also covers classified employees working a minimum of hours set forth by the District who retire after 20 years of service. Benefits are paid for the lesser of 5 years or until age 65. Membership of the Plan as of the 2014-15 fiscal year consists of 2 retirees and beneficiaries currently receiving benefits and 2 active plan members.

Contribution Information. The contribution requirements of Plan members and the District are established and may be amended by the District and employee bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the projected District contribution is \$9,473 to the Plan, of which \$6,450 will be used for current premiums.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement No. 45 (“GASB 45”). GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize the expense and related liabilities and assets in their financial statements. The District implemented GASB 45 for fiscal year ending June 30, 2009.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (“UAAL”) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan (which was 30.2% of ARC), and changes in the District's net OPEB obligation to the Plan:

**OPEB Components for Fiscal Year 2013-14
Tipton Elementary School District**

Annual required contribution	\$31,790
Interest on prior year net OPEB asset	(3,394)
Adjustment to annual required contribution	<u>4,108</u>
 Annual OPEB cost	 32,504
Contributions made	(9,631)
 Decrease in net OPEB asset	 22,873
Net OPEB asset, beginning of year	(56,559)
Net OPEB asset, end of year	<u><u>\$(33,686)</u></u>

Source: *Tipton Elementary Unified School District Audited Financial Statement for Fiscal Year 2013-14.*

OPEB Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

**OPEB Cost and Percentage of Cost Contributed
Tipton Elementary School District**

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
2012	\$35,721	147.5%	(64,359)
2013	32,604	76.1	(56,559)
2014	32,504	29.6	(33,686)

Source: *Tipton Elementary Unified School District Audited Financial Statement for Fiscal Year 2013-14.*

Actuarial Methods and Assumptions. As described in the District’s 2013-14 Audited Financial Statements (Note L), the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses), a 6% discount rate, based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were assumed to be 8%. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2014, was 30 years. The actuarial value of assets is described in the following table.

**Schedule of OPEB Funding Progress
Tipton Elementary School District ⁽¹⁾**

Actuarial accrued liability (AAL)	\$260,260
Actuarial value of plan assets	(54,988)
Unfunded actuarial accrued liability (UAAL)	<u>\$205,272</u>
Funded ratio (actuarial value of plan assets/AAL)	--
Annual covered payroll (active plan members)	\$2,609,917
UAAL as a percentage of annual covered payroll	7.9%

(1) As of July 1, 2012, the most recent actuarial valuation date.
Source: *Tipton Elementary Unified School District Audited Financial Statement for Fiscal Year 2013-14.*

Existing Debt Obligations

The District has never defaulted on the payment of principal or interest on any of its indebtedness, which is more particularly described below.

Qualified Zone Academy Bond Program. On November 1, 2013, the District entered into a lease agreement with the Public Property Financing Corporation of California (the

“Corporation”) under a Qualified Zone Academy Bond program to provide financing in the maximum amount of \$1,750,000 for an educational program of the District, which consists generally of solar installation and lighting, retrofits to install energy efficient lighting and building repair and rehabilitation, along with electrical distribution upgrades at Tipton Elementary School (the “**QZAB Program**”). In order to provide financing for the QZAB Program, the District leased certain real property (the “**Leased Property**”) to the Corporation for a term of 17 years ending on November 21, 2031 for an up-front rental payment of \$1,625,000.00 (the “**Site Lease**”). The Corporation subsequently leased the Leased Property back to the District (the “**Lease**”) and has assigned all of its rights, title and interest in the Site Lease and the Lease to Dubuque Bank & Trust Company. The payments by the District under the Lease are payable from any source of legally available funds of the District, subject to the provisions of the Lease. The District has covenanted to take such action as may be necessary to include all such in each of its annual budgets during the term of the Lease and to make the necessary annual appropriations for all such lease payments.

Non-Capitalized Leases. The District has entered into various operating leases for equipment and modular buildings. The leases are all beyond one year and contain no purchase options. The minimum lease payments for the year ending June 30, 2015 is \$15,891.

Joint Powers Authorities. The District participates in the following public entity risk pools under joint powers agreements to provide various insurance funds as follows: (i) the Tulare County Schools Insurance Group, (ii) the Central Tulare County School Districts Liability/Property Joint Powers Authority, (iii) the Tulare Area Schools Employee Benefit Authority and (iv) the Self-Insured Schools of California III (each, a “**JPA**,” and collectively, the “**JPAs**”). None of the JPAs is a component unit of the District for financial reporting purposes. Membership in the JPAs consists of various public educational agencies, and the JPAs are governed by boards consisting of representatives from the member public educational agencies and related associations.

See “APPENDIX A – Audited Financial Statements of the District” for further information regarding long-term and other debt obligations of the District.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Tulare County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX G hereto for a copy of Tulare County’s Investment Policy and recent investment report.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “—State Funding of Education – Revenue Limits” above). State funds typically make up the majority of a district’s LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

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STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). State funds typically make up the majority of a district’s LCFF entitlement

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

The Budget Process. The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)."

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 State Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2015-16 Adopted State Budget

On June 25, 2015, Governor Brown signed the 2015-16 Budget Act (the "**2015-16 State Budget**"), spending \$115.4 billion in general fund revenues, which is \$900 million more in general fund revenues than in the revised fiscal year 2014-15 spending level. The 2015-16 Budget represents a \$7.4 billion increase, or 6.9%, over the pre-revision fiscal year 2014-15 spending plan. The 2015-16 State Budget is balanced, and, by the end of fiscal year 2015-16, the Budget Stabilization Account will have a total balance of \$3.5 billion.

The 2015-16 State Budget allocates a reserve of \$4.6 billion dollars, including \$3.5 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Proposition 2, passed in 2014, requires the State to divert at least 1.5% of its revenue each year

to pay down debts and build its rainy day fund. The 2015-16 State Budget allocates \$1.9 billion to the reserve, while another \$1.9 billion is allocated to retire debt and other State liabilities. This adds to the \$1.6 billion already in the reserve, bringing the total to \$3.5 billion. In addition the State Budget sets aside another \$1.1 billion in its short-term reserve, bringing total reserves to \$4.6 billion by the end of fiscal year 2015-16.

K - 12 Budget Adjustments. The 2015-16 State Budget provides funding of \$68.4 billion for the fiscal year for all K-12 programs, an increase of 12.4% above the funding level adopted in the 2014-15 Budget. The 2015-16 State Budget also provides \$4.7 billion for the second year of implementing the LCFF and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care. The Education Budget Trailer Bill ("**SB 858**") is included in the 2014-15 State Budget and contains two separate provisions that have the potential to affect district reserve funds. In addition, the 2015-16 State Budget includes the following:

- Local Control Funding Formula. The 2015-16 State Budget includes an increase of \$6 billion provided for Proposition 98 to continue the State's transition to the LCFF, which brings LCFF funding to \$52 billion, a 13% year-over-year increase. The \$6 billion represents a 51.5% closure of the remaining LCFF funding gap.
- K-12 Mandates. The 2015-16 State Budget provides \$3.8 billion in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of state-mandated programs and pay off the K-12 mandates backlog. Of this amount, \$3.2 billion will be provided to K-12 school districts on a per-ADA basis and is available for discretionary purposes such as implementation of Common Core standards (professional development, teacher training, purchase of instructional materials and technology infrastructure) or for other one-time purposes, such as maintenance and deferred maintenance. \$600 million will be provided to community colleges. The outstanding mandate repayment backlog now stands to be \$1.5 billion.
- Early Childhood Development and Child Care. The 2015-16 State Budget provides \$2.8 billion for child care and preschool programs, an increase of \$423 million above the 2014-15 State Budget. This includes \$1.6 billion for non-CalWORKs programs, \$1.1 billion for CalWORKs programs, and \$150 million for support programs. The increase for child care and early childhood development programs is provided through a combination of an increase in slots for enrollment and an increase in reimbursement rates for programs.
- K-12 Deferrals. The 2015-16 State Budget provides approximately \$991 million in Proposition 98 funding to eliminate deferrals for K-12 expenses consistent with the revenue trigger included in the 2014-15 State Budget.
- Career Technical Education Pathways Program. The 2015-16 State Budget establishes the Career Technical Education ("**CTE**") Incentive Grant Program and provides \$400 million in fiscal year 2015-16 for local education agencies to establish new or expand high-quality CTE programs. School districts, county offices of education, and charter schools receiving funding under this program will be required to provide local-to-State matching funds of 1:1 in fiscal year 2015-16. Established in the 2013 Budget Act, the CTE Program provides grant

awards to improve career technical programs and linkages between employers, schools and community colleges.

- Adult Education Block Grant. The 2015-16 State Budget provides \$500 million for the Adult Education Block Grant. This funding is provided through the consortia of local school districts and community colleges created pursuant to the 2013-14 State Budget. The funding may be used for adult education priority areas including elementary and secondary basic skills, citizenship and English as a second language, workforce programs for older adults, programs to help older adults assist children in school, programs for adults with disabilities, career technical education, and pre-apprenticeship programs.
- Teacher Effectiveness Block Grant. The 2015-16 State Budget provides \$500 million of Proposition 98 funding for a one-time Teacher Effectiveness Block Grant to be used for professional development. This professional development money is distributed on a per-certificated personnel FTE basis (approximately \$1,600 per certificate FTE), allowing three years to encumber. These funds can be used for both teachers and administrators, pursuant to board direction.
- Special Education. The 2015-16 State Budget includes \$67 million for special education-related activities. The largest ongoing augmentation in this package is for expanding services to infants, toddlers, and preschoolers with disabilities. The budget provides \$30 million to districts to serve children with disabilities between the ages of birth and three years, \$12 million to fund 2,500 additional slots in part day state preschool with a priority given to children with disabilities, \$10 million as a one-time investment to provide technical assistance and build statewide resources to help implement school wide systems of support and intervention, \$6 million for staff and parent training, and \$4 million in federal funding to support dispute resolutions surrounding special education placement and technical assistance.
- K-12 High-Speed Internet Access. The 2015-16 State Budget includes \$50 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. The funds will be allocated through the Broadband Infrastructure Improvement Grand ("**BIIG**") program administered by the K-12 High Speed Network. Any remaining funds available after all reasonable solutions have been funded through the BIIG program may be used to fund under-connected sites upon approval of the Department of Finance.
- Independent Study. The 2015-16 State Budget removed the grade span criteria and states that it cannot be greater than other district programs, unless bargained.

Higher Education. The 2015-16 State Budget includes total funding of \$29.2 billion for all programs within California Community Colleges, California State University ("**CSU**"), University of California ("**UC**"), the Student Aid Commission, and other entities. This includes \$217 million in new ongoing funding for the CSU system and \$120 million in new ongoing funding for the UC system, as well as temporary funding from Proposition 2 to assist in paying down UC's unfunded pension liability. The 2015-16 State Budget also holds tuition for California undergraduate students flat through fiscal year 2016-17.

Health Care. The 2015-16 State Budget includes total funding of \$140.1 billion for all programs that provide health and social services to California's low-income and at-risk residents. The State's adoption of the optional expansion of Medi-Cal under the federal law known as the Affordable Care Act created major new spending commitments for the State. The 2015-16 Budget assumes an additional Medi-Cal caseload of 3.7 million individuals and costs of \$16.9 billion related to the implementation of the Affordable Care act.

Earned Income Tax Credit. The 2015-16 Budget enacts the first ever Earned Income Tax Credit to help the lowest-income California households--households with income less than \$6,580 if there are no dependents or less than \$13,870 if there are three or more dependents. This State program complements the existing federal Earned Income Tax Credit. To support the implementation of this program, the 2015-16 State Budget includes approximately \$22 million, including \$10.4 million for one-time costs.

Emergency Drought Response. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February 2014, which provided \$687.4 million to support drought relief. The 2015-16 State Budget includes additional \$1.8 billion in one-time resources to continue immediate drought-related efforts started in 2014, for a total of \$3.7 billion over the past two years. Funds will be used by programs administered primarily by the Water Board and Department of Water Resources with the following purposes: \$1.5 billion to protect and expand local water supplies, \$117 million for water conservation efforts, and \$114.9 million for emergency response.

Numerous Factors Affecting Budget and Projections. The execution of the 2015-16 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2015-16 State Budget to be unattainable. The District cannot predict the impact that the 2015-16 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2015-16 State Budget.

Availability of 2015-16 State Budget. The complete 2015-16 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Series A Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future changing revenues and expenditures. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

Disclaimer Regarding State Budgets. The State has not entered into any contractual commitment with the District, the County, or the Owners of the Series A Bonds to provide State budget information to the District or the owners of the Series A Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriters assume any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Series A Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “–State Funding of Education” and “–Recent State Budgets” above.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series A Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series A Bonds. The tax levied by the County for payment of the Series A Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) 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, and (iii) (as a result of an amendment to Article

XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA 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 XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for

providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal 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 up to the appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIII C and XIII D

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “**Article XIII C**” and “**Article XIII D**”), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article 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; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Series A Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“**Proposition 111**”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California *per capita* personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess

are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "**Proposition 39**") to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local

government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “**EPA**”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are

prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

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.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 1A, 22, 26, 30 and 39 were each adopted as measures that qualified for

the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR TULARE COUNTY

The Series A Bonds are not a debt of Tipton or the County of Tulare. The County of Tulare, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Series A Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Series A Bonds at the time such payment is due.

General

The District is located in the census-designated place of Tipton (“**Tipton**”), in the County of Tulare (the “**County**”). Founded in 1852, the County is located in California’s San Joaquin Valley, a large agriculturally rich basin that runs through the center of the State. The County is the second top agricultural producing county in the nation. It is surrounded by Fresno County to the north, Inyo County to the east, Kern County to the south and Kings County to the west. Almost half the entire county area is devoted to national parks and forests, including the famous Sequoia and Kings Canyon National Parks, Inyo and Sequoia National Forests. These natural resources provide year-round recreational opportunities for hiking, fishing, skiing and camping.

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County’s legislative body.

Population

The table below shows population estimates as of January 1 for the County of Tulare and the State of California for the last five years.

COUNTY OF TULARE AND STATE OF CALIFORNIA Population Estimates

Calendar Year	County of Tulare	State of California
2011	445,183	37,427,946
2012	451,529	37,668,804
2013	456,037	37,984,138
2014	458,827	38,357,121
2015	462,189	38,714,725

Source: State Department of Finance, Demographic Research Unit.

Employment and Industry

The District is included in the Visalia-Porterville Metropolitan Statistical Area (“MSA”). The unemployment rate in the County was 11.5% in April 2015, down from a revised 13.2% in March 2015, and below the year-ago estimate of 13.3%. This compares with an unadjusted unemployment rate of 6.1% for California and 5.1% for the nation during the same period.

The following table shows civilian labor force and wage and salary employment data for the Visalia-Porterville MSA, which is coterminous with Tulare County and, therefore, includes Tipton, for the past five calendar years. These figures are area-wide statistics and may not necessarily accurately reflect employment trends in Tulare.

**VISALIA-PORTERVILLE METROPOLITAN STATISTICAL AREA
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	2010	2011	2012	2013	2014
Civilian Labor Force ⁽¹⁾	203,100	203,700	201,900	200,900	198,600
Employment	168,200	168,900	169,300	172,000	172,400
Unemployment	34,900	34,800	32,600	28,900	26,300
Unemployment Rate	17.2%	17.1%	16.2%	14.4%	13.2%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	37,700	36,400	33,700	35,100	34,700
Mining, Logging and Construction	3,900	3,900	4,000	4,200	4,500
Manufacturing	11,100	11,200	11,300	11,600	12,000
Wholesale Trade	3,800	3,600	3,700	3,900	3,900
Retail Trade	14,600	15,100	15,700	16,500	16,900
Trans., Warehousing and Utilities	5,100	5,600	6,100	6,400	6,400
Information	1,100	1,000	900	900	900
Finance Activities	3,800	3,800	3,800	3,800	3,800
Professional and Business Services	8,700	9,400	9,600	10,000	9,300
Educational and Health Services	12,000	11,900	11,800	12,700	13,600
Leisure and Hospitality	8,900	8,900	9,500	10,000	10,500
Other Services	3,000	3,100	3,100	3,200	3,400
Federal Government	1,500	1,200	1,200	1,100	1,100
State Government	2,100	2,000	1,800	1,700	1,700
<u>Local Government</u>	<u>27,500</u>	<u>27,400</u>	<u>27,600</u>	<u>27,200</u>	<u>26,700</u>
Total, All Industries ⁽³⁾	144,800	144,500	143,800	148,300	149,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: *State of California Employment Development Department.*

Major Employers

The following table lists the major employers within the County.

**COUNTY OF TULARE
Major Employers
As of June 1, 2015
Listed Alphabetically**

Employer Name	Location	Industry
College of the Sequoias	Visalia	Schools-Universities & Colleges Academic
Eagle Mountain Casino	Porterville	Casinos
Enns Packing Co	Dinuba	Fruits & Vegetables-Growers & Shippers
Fruit Patch Inc	Dinuba	Fruits & Vegetables-Growers & Shippers
Jostens	Visalia	Trophies Awards & Medals
Kd Medical Ctr	Visalia	Hospitals
Kings Canyon National Park	Kings Canyon National Pk	Parks
Land O'Lakes Indl Cheese	Tulare	Cheese Processors (Mfrs)
Monrovia Nursery Co	Woodlake	Nurseries-Plants Trees & Etc-Wholesale
Porterville Developmental Ctr	Porterville	Mental Health Services
Ruiz Food Products Inc	Dinuba	Mexican Food Products-Manufacturers
Sierra View District Hospital	Porterville	Hospitals
Sun Pacific	Exeter	Fruits & Vegetables-Growers & Shippers
Tulare County Child Care Prgm	Visalia	Child Care Service
Tulare County Lake Patrol	Visalia	Sheriff
Tulare County Parks & Rec Dept	Visalia	Parks
Tulare County Sheriff's Office	Visalia	Sheriff
Tulare District Health Care	Tulare	Health Services
Tulare Regional Medical Ctr	Tulare	Hospitals
US Cotton Classing Office	Visalia	Government Offices-Us
Visalia Public Works Admin	Visalia	Parking Area/Lots Maintenance & Marking
Walmart	Porterville	Department Stores
Walmart Distribution Ctr	Porterville	Distribution Centers (Whls)
Walmart Supercenter	Dinuba	Department Stores
Wawona Packing Co	Cutler	Fruits & Vegetables-Growers & Shippers

Source: America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for Tipton, the County, the State and the United States for the period 2010 through 2014.

**TIPTON; COUNTY OF TULARE
Effective Buying Income
As of January 1, 2010 through 2014**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	Tipton	\$ 12,945	\$27,882
	County of Tulare	5,826,395	34,764
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Tipton	20,343	28,130
	County of Tulare	6,045,045	34,581
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Tipton	23,643	32,684
	County of Tulare	6,386,965	37,110
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	Tipton	26,625	35,386
	County of Tulare	6,358,653	36,537
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Tipton	25,725	34,102
	County of Tulare	6,301,258	36,706
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: *The Nielsen Company (US), Inc.*

Commercial Activity

Total taxable sales during calendar year 2013 in the County were reported to be \$5.78 billion, a 5.3% increase from the total taxable sales of \$5.50 billion reported during calendar year 2012. Figures are not yet available for calendar year 2014.

COUNTY OF TULARE Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	5,630	\$2,802,055	8,239	\$4,145,502
2010	5,837	3,072,261	8,434	4,496,880
2011	5,891	3,440,634	8,448	5,053,721
2012	5,949	3,622,196	8,525	5,499,361
2013	5,816	3,746,171	8,334	5,788,584

Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

Construction Activity

Construction activity in the County for the past five years for is shown in the following tables.

COUNTY OF TULARE Building Permit Valuation Calendar Years 2010 through 2014 (Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$160,609.7	\$124,334.3	\$88,018.7	\$171,844.3	\$177,971.7
New Multi-family	32,423.9	10,636.2	6,775.9	6,959.8	23,630.4
Res. Alterations/Additions	<u>23,152.8</u>	<u>36,917.9</u>	<u>13,736.6</u>	<u>11,590.2</u>	<u>14,034.2</u>
Total Residential	216,186.3	171,888.4	108,531.2	190,394.3	215,636.2
New Commercial	10,161.6	29,855.3	72,825.0	93,113.5	18,952.2
New Industrial	3,750.0	27,350.0	8,636.5	800.0	0.0
New Other	35,451.6	8,561.4	2,888.7	100,590.4	43,259.7
Com. Alterations/Additions	<u>54,985.9</u>	<u>65,514.8</u>	<u>45,584.8</u>	<u>39,067.5</u>	<u>63,246.8</u>
Total Nonresidential	\$104,349.1	\$131,281.5	\$129,935.0	\$233,571.4	\$125,458.7
<u>New Dwelling Units</u>					
Single Family	977	721	530	843	847
Multiple Family	<u>282</u>	<u>138</u>	<u>111</u>	<u>60</u>	<u>296</u>
TOTAL	1,259	859	641	903	1,143

Source: *Construction Industry Research Board, Building Permit Summary.*

Transportation

Situated on Highway 99, Tulare County offers excellent transportation access routes throughout California and the Western United States. Many communities in the County offer airports for corporate service. Air service is available approximately 45 minutes north at Fresno Yosemite International Airport. San Francisco International Airport is about 3-1/2 hours driving time away.

Union-Southern Pacific, Burlington Northern-Santa Fe Railroads are the San Joaquin Valley Rail companies serve Tulare County with extensive spur track, piggyback service, reciprocal switching, and refrigerated shipping.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

_____, 2015

Board of Trustees
Tipton Elementary School District
370 North Evans Road
Tipton, CA 93272

OPINION: \$_____ Tipton Elementary School District (Tulare County, California)
General Obligation Bonds, 2014 Election, Series A

Members of the Board of Trustees:

We have acted as bond counsel to the Tipton Elementary School District (the "District") in connection with the issuance by the District of \$_____ principal amount of Tipton Elementary School District (Tulare County, California) General Obligation Bonds 2014 Election, Series A, dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution of the Board of Trustees of the District (the "Board") adopted on August 11, 2015 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.
4. The Board of Supervisors of Tulare County is required under the Act to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings certain income and earnings, and the Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Series A Bonds. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
TIPTON ELEMENTARY SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2014, Series A
(Bank Qualified)

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Tipton Elementary School District (the “**District**”) in connection with the execution and delivery of the captioned bonds (the “**Series A Bonds**”). The Series A Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on August 11, 2015 (the “**Resolution**”). Wilmington Trust, National Association, Costa Mesa, California, is initially acting as paying agent for the Series A Bonds (the “**Paying Agent**”).

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Series A Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Series A Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date not later than nine months (currently March 31) after the end of each fiscal year of the District (currently June 30th).

“*Dissemination Agent*” means, initially, Isom Advisors, A Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Series A Bonds.

“*Paying Agent*” means Wilmington Trust, National Association, or any successor thereto.

“*Participating Underwriter*” means the original Underwriter of the Series A Bonds required to comply with the Rule in connection with offering of the Series A Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016 with the report for the 2014-15 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide in a timely manner (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) (i) The audited financial statements of the District for the most recent fiscal year of the Issuer then ended and (ii) the most recently adopted budget of the District. If the audited financial statements are not available by the time the Annual Report is required to be filed, the

Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the District shall be audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) To the extent not included in the audited financial statements or adopted budget filed pursuant to Section 4(a) above, the Annual Report shall also include the following:

- (i) average daily attendance on an aggregate basis for the most recently completed fiscal year and for the current budget year;
- (ii) pension plan contributions made by the District for the most recently completed fiscal year and budgeted for the current budget year;
- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the most recently completed fiscal year;
- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the most recently completed fiscal year;
- (v) the District's total local control funding revenue for the most recently completed fiscal year and for the current budget year;
- (vi) total secured property tax levy and collections for the most recently completed fiscal year, if available at the time of filing the Annual Report, showing current collections as a percent of the total levy; and
- (vii) assessed valuation of taxable properties in the District for the current fiscal year, including assessed valuation of the top ten properties.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series A Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Series A

Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following 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 governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series A Bonds. If such termination occurs prior to the final maturity of the Series A Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, A Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Series A Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Series A Bonds in the manner provided in the Series A Bond Resolution for amendments to the Series A Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto 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.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Series A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Series A Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's

negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Series A Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series A Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Series A Bonds, and shall create no rights in any other person or entity.

Date: _____, 2015

**TIPTON ELEMENTARY SCHOOL
DISTRICT**

By: _____

Name: _____

Title: _____

**ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT**

**ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.**

By: _____
Jon Isom, Managing Principal

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tipton Elementary School District (the "District")

Name of Bond Issue: General Obligation Bonds, Election of 2014, Series A

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of _____, 2015. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: District, Paying Agent and Participating Underwriter

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series A Bonds, payment of principal, interest and other payments on the Series A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series A Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this Appendix, 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, 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 the notices be provided directly to them.

6. Redemption notices will 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

APPENDIX G

TULARE COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

APPENDIX H
TABLE OF ACCRETED VALUES

\$ _____
TIPTON ELEMENTARY SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds
2014 Election, Series A

BOND PURCHASE AGREEMENT

_____, 2015

Board of Trustees
Tipton Elementary School District
370 North Evans
Tipton, CA 93272

Ladies and Gentlemen:

O'Connor & Company Securities, Inc., as underwriter (the "Underwriter"), acting on its own behalf and not as fiduciary or agent for the hereinafter defined District, offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Tipton Elementary School District (the "District"), which, upon acceptance hereof by the District, will be binding upon the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Agreement by the District and delivery of such acceptance to the Underwriter at its 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 to the Underwriter for such purpose, all (but not less than all) of \$_____ in aggregate principal amount of the Tipton Elementary School District (Tulare County, California) General Obligation Bonds, 2014 Election, Series A (the "Bonds"). The purchase price of the Bonds shall be \$_____ (representing the principal amount of the Bonds, plus original issue premium of \$_____, and less Underwriter's discount of \$_____.

The Bonds are issued under the provisions of a resolution adopted by the Board of Trustees of the District on _____, 2015 (the "Bond Resolution") and the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), all for the purpose of financing educational projects approved by District voters at the November 4, 2014 election, as more particularly described in the Bond Resolution.

The Bonds are issued as Current Interest Bonds (as such term is defined in the Bond Resolution). 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 District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting

solely as a principal and not as an agent or a fiduciary of the District, (iii) the Underwriter has not assumed (individually or collectively) 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 or any affiliate of 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 Purchase Agreement and (iv) the District has consulted with its own legal, financial and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

2. **The Bonds.** The Bonds shall be dated their date of delivery, and shall otherwise be as described in, and shall be issued and secured pursuant to, the provisions of the Bond Resolution and the Bond Law.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Bond Resolution. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form initially, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York.

3. **Redemption.** The Bonds shall be subject to redemption as provided in the Bond Resolution and herein, as set forth on Appendix A.

4. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Agreement, a Preliminary Official Statement and an Official Statement (defined below), the Bond Resolution, 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 Purchase Agreement.

5. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields 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 prices or yields as it deems necessary in connection with the marketing of the Bonds.

6. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2015, (the "Preliminary Official Statement"). The District represents that the Preliminary Official Statement was "deemed final" as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule 15c2-12"), except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, Underwriter's discount, 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. The District hereby ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement.

The Underwriter agrees that prior to the time the final Official Statement (as defined in Section 10(b)) 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.

7. **Closing.** At 8:00 a.m., California Time, on _____, 2015 or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (such payment and delivery herein called the "Closing," and the date thereof the "Closing Date"), the District will deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC") in New York, New York, or at such other place as the District and the Underwriter 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 at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California ("Bond Counsel"), the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof set forth in Section 1 hereof in immediately available funds by check, draft or wire transfer to or upon the order of the District.

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

- (a) Due Organization. The District is and will be on the Closing Date a school district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Bond Law, to adopt the Bond Resolution and to enter into this Purchase Agreement, and the Continuing Disclosure Certificate (as defined in paragraph (i) below).
- (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 Purchase Agreement and the Continuing Disclosure Certificate, to adopt the Bond Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Agreement and the Continuing Disclosure Certificate and the Bond Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Bond Resolution, the Continuing Disclosure Certificate and this Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Agreement and the Continuing Disclosure Certificate constitute valid and legally binding obligations of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Agreement.
- (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. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.
- (d) Internal Revenue Code. The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

- (e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Agreement, the Bond Resolution, the Continuing Disclosure Certificate and the Bonds, and the compliance with the provisions hereof and thereof, do not conflict with or constitute on the part of the District a violation of or material 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 material 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.
- (f) Litigation. As of the time of acceptance hereof no action, suit, proceeding, hearing or investigation is pending 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 title 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 Bond Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Agreement, the Continuing Disclosure Certificate or the Bond Resolution or contesting the powers of the District or the Bond Resolution or this Purchase Agreement; 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 Purchase Agreement or the Bond Resolution, (b) declare this Purchase Agreement 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 such interest from California personal income taxation.
- (g) 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.
- (h) Certificates. Except as specifically provided, 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) Continuing Disclosure. The District shall undertake, pursuant to the Bond Resolution, the Continuing Disclosure Certificate with respect to the Bonds in substantially the form attached as Appendix E of the Preliminary Official Statement (the "Continuing Disclosure Certificate") and Rule 15c2-12, to provide certain annual financial information and notices of the occurrence of certain events described therein. A description of this undertaking is set

forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The Preliminary Official Statement describes, and the final Official Statement will describe, any instances in the previous five years in which the District failed to comply in all material respects with its prior undertakings pursuant to Rule 15c2-12.

- (j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, 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 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.
- (k) Financial Information. The financial statements of, and other financial information regarding the District contained in the Official Statement fairly present the financial position of the District as of the dates and for the periods therein set forth, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, (ii) the unaudited financial statements (if any) have been prepared on a basis substantially consistent with the audited financial statements included in the Official Statement and reflect all adjustments necessary to that effect, and (iii) the other financial information has been determined on a basis substantially consistent with that of the District's audited financial statements included in the Official Statement.
- (l) No Financial Advisory Relationship. The District has had no financial advisory relationship with the Underwriter with respect to the Bonds, nor with any investment firm controlling, controlled by or under common control with the Underwriter.
- (m) Underwriter Not Fiduciary. Inasmuch as this purchase and sale represents a negotiated transaction, the District understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the District, but rather is acting solely in its capacity as Underwriter, for its own account.

9. **Underwriter Representations, Warranties and Agreements.** The Underwriter represents, warrants to and agrees with the District that, as of the date hereof and as of the Closing Date:

- (a) The execution and delivery hereof and the consummation of the transactions contemplated hereby does not and will not violate any of the prohibitions set forth in Rule G-37 promulgated by the Municipal Securities Rulemaking Board (the "MSRB");

- (b) All reports required to be submitted to the MSRB pursuant to Rule G-37 have been or will be submitted to the MSRB; and
- (c) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm, or person (including, but not limited to the District's financial advisor, or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Agreement.

10. **Covenants of the District.** The District covenants and agrees with the Underwriter that:

- (a) 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 they are not so subject as of the date hereof;
- (b) 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 Purchase Agreement 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 five (5) business days following the date this Purchase Agreement is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 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;
- (c) Subsequent Events; Amendments to Official Statement. If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds (determined pursuant to Section 16), an event occurs which would cause the information contained in the final Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and, if in the opinion of the District or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will forthwith prepare and furnish to the Underwriter (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 satisfactory to the Underwriter) which will amend or supplement the Official Statement so that they 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 the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the District will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

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

11. Conditions to Closing. The Underwriter has entered into this Purchase Agreement 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 Purchase Agreement 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 Purchase Agreement;
- (b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Agreement, the Continuing Disclosure Certificate and the Bond 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 Bond Law which, in the opinion of 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 Bond Resolution, this Purchase Agreement, the Continuing Disclosure Certificate 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 Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which has any of the effects described in Section 8(f) 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, shall not have been materially adversely affected 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 States 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 declaration of war or engagement in major military hostilities by the United States or the occurrence of any other 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;
- (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 underlying rating of the District's outstanding indebtedness by a national rating agency; or

- (7) any event occurring, or information becoming known which 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 two copies of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:
- (1) Bond Opinion and Reliance Letter. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District and in substantially the form attached as Appendix D to the Official Statement, and a reliance letter from Bond Counsel, addressed to the Underwriter, to the effect that the Underwriter may rely upon such approving opinion;
 - (2) Supplemental Opinion. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District and the Underwriter, to the effect that:
 - (i) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "THE SERIES A BONDS" (excluding any and all information contained with respect to the Book-Entry Only System of DTC), "TAX MATTERS" and "CONTINUING DISCLOSURE" to the extent they purport to summarize certain provisions of the Bond Resolution, the Continuing Disclosure Certificate, California law or federal law, fairly and accurately summarize the matters purported to be summarized therein;
 - (ii) assuming due authorization, execution and delivery by the parties to this Purchase Agreement other than the District, this Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the respective parties thereto and constitute legal, valid and binding agreements of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and

- (iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.
- (3) Disclosure Counsel Letter. A letter of Jones Hall, A Professional Law Corporation, Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement and the final Official Statement, but on the basis of their participation in conferences with representatives of the District, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Preliminary Official Statement as of its date, and the final Official Statement as of its date and as of the Closing Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data, or information concerning DTC and the book-entry only system, contained in the Preliminary Official Statement or the final Official Statement);
- (4) Certificates of the District. A certificate or certificates signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Purchase Agreement, (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 Bond Resolution and this Purchase Agreement 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 official has reviewed the Preliminary Official Statement and the final Official Statement and on such basis certifies that the Preliminary Official Statement did not as of its date, and the final Official Statement does not as of its date and as of the Closing Date, contain any untrue statement of a material fact, nor omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the Bond Resolution, and (vi) no further consent is required for inclusion of the audit in the Official Statement;
- (5) Arbitrage. A nonarbitrage certificate of the District in form satisfactory to Bond Counsel;
- (6) Bond Resolution. A certificate, together with fully executed copies of the Bond Resolution, of the Clerk of the District Board of Trustees to the effect that:

- (i) such copies are true and correct copies of the Bond Resolution; and
 - (ii) the Bond 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;
- (7) Official Statement. Certificates of the appropriate officials of the District evidencing their determinations respecting the Preliminary Official Statement in accordance with the Rule;
- (8) Continuing Disclosure Certificate. The Continuing Disclosure Certificate, duly executed by the District;
- (9) Paying Agent Certificate. A written certificate of the Paying Agent, executed by a duly authorized representative of the Paying Agent, dated the date of the Closing, to the effect that the Paying Agent is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and perform its duties under the Bond Resolution.
- (10) Tax Rate and Bonding Capacity Certificates. A certificate signed by a District official setting forth a projection evidencing that tax rates are projected not to exceed \$30 per \$100,000 of assessed value during the term of the Bonds, and a certificate signed by a County official confirming that the District is in compliance with applicable bonding capacity limitations.
- (11) Rating. Evidence that the Bonds have been assigned a rating of “___”, by Standard & Poors Rating Services, and that such rating has not been withdrawn or downgraded.
- (12) a certificate of _____, as the District’s _____, dated the date of Closing, to the effect that:

(i) in connection with the issuance of the Bonds and preparation of the Preliminary Official Statement and Final Official Statement in connection therewith, the undersigned has reviewed the previous undertakings of the District pursuant to the Rule, and the filings made by or on behalf of the District in the previous five years; and

(ii) based on this review of information that is reasonably available, the disclosure included in the Preliminary Official Statement and the Final Official Statement relating to the Bonds under the caption “CONTINUING DISCLOSURE” with respect to compliance with previous undertakings pursuant to the Rule in the previous five years is accurate as of the date of each such official statement; provided, however, we do not undertake to evaluate whether any instances of non-compliance which has been identified is material for purposes of the Rule.

(13) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) 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.

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement 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.

12. **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 the opinion and certificates being delivered at the Closing by persons and entities other than the District.

13. **Costs and Expenses.** The District shall pay from amounts wired by the Underwriter to the District's paying agent pursuant to Section 1 hereof any expenses incident to the issuance of the Bonds, including but not limited to the following: (i) the fees and disbursements of the District's financial advisor; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for Bond ratings, including all necessary travel expenses; (v) the cost of the printing and distribution of the Official Statement; (vi) the initial fees of the Paying Agent; and (viii) all other fees and expenses incident to the issuance and sale of the Bonds.

All out-of-pocket expenses of the Underwriter, including fees and disbursement of Underwriter's counsel, the California Debt and Investment Advisory Commission fee, travel (except in connection with securing a rating on the Bonds), and other expenses, shall be paid by the Underwriter.

14. **Notices.** Any notice or other communication to be given under this Purchase Agreement (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 the Superintendent (or Superintendent's designee), at the address set forth on page 1 hereof, or if to the Underwriter as follows: O'Connor & Company Securities, Inc., 20501 Ventura Boulevard, Suite 198, Woodland Hills, CA 91364, Attention: Jonathan D. White.

15. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Underwriter. This Purchase Agreement 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 Purchase Agreement 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 Purchase Agreement.

16. **Determination of End of the Underwriting Period.** For purposes of this Purchase Agreement, the "end of the underwriting period" for the Bonds is used as defined in Rule 15c2-12 and shall occur on the later of (a) the day of the Closing, or (b) when the Underwriter no longer retains an unsold balance of the Bonds. Unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District, the District may assume that the "end of the underwriting period" is the Closing Date.

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

18. **Nonassignment.** Notwithstanding anything stated to the contrary herein, neither party hereto may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior written consent of the other party hereto.

19. **Entire Agreement.** This Purchase Agreement, when executed by the parties hereto, shall constitute the entire agreement of the parties hereto (including their permitted successors and assigns, respectively).

20. **Execution in Counterparts.** This Purchase Agreement 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.

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21. **Applicable Law.** This Purchase Agreement 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,

O'CONNOR & COMPANY SECURITIES, INC.

By: _____
Authorized Officer

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

TIPTON ELEMENTARY SCHOOL DISTRICT

By: _____
Superintendent

Time of Execution: _____

APPENDIX A

Maturity Schedule

Maturity Date (_____)	Principal Amount	Interest Rate	Yield	Price
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Redemption Provisions

Optional Redemption. The Series A Bonds maturing on or after August 1, ____ are subject to optional redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, ____, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on August 1, ____ (the “**Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

\$ ____ Term Bonds Maturing August 1, ____

Redemption Date (August 1)	Sinking Fund Redemption
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