

TABLE OF CONTENTS

INTRODUCTION	1
REFUNDING PLAN	1
ESTIMATED USE OF BOND PROCEEDS	2
THE BONDS	2
MUNICIPAL BOND INSURANCE POLICY	6
THE DISTRICT	8
DISTRICT DEBT STRUCTURE	10
TAXATION AND APPROPRIATIONS	13
DISTRICT FINANCIAL INFORMATION	16
STATE OF CALIFORNIA FINANCES	18
LIMITATIONS ON TAX REVENUES	21
TAX EXEMPTION	26
VERIFICATIONS	26
CERTAIN LEGAL MATTERS	27
ENFORCEABILITY OF REMEDIES	27
UNDERWRITING	27
CONTINUING DISCLOSURE	27
RATINGS	28
MISCELLANEOUS	29
APPENDIX A - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2000-01	
APPENDIX B - PROPOSED FORM OF OPINION OF BOND COUNSEL	
APPENDIX C - SPECIMEN INSURANCE POLICY	
APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE	

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

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

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any other Federal, state, municipal or other governmental entity (other than the District), shall have passed upon the accuracy or adequacy of this Official Statement.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AND MAY BE RECOMMENCED AT ANY TIME IN EACH CASE WITHOUT NOTICE.

OFFICIAL STATEMENT

\$45,825,000

**PLEASANT VALLEY SCHOOL DISTRICT
(County of Ventura, California)
2002 General Obligation Refunding Bonds, Series A**

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the issuance by the Pleasant Valley School District (the "District") of its \$45,825,000 original aggregate principal amount of 2002 General Obligation Refunding Bonds, Series A (the "Bonds"). The Bonds are being issued under the authority granted by the Constitution and laws of the State of California (the "State"), including particularly provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53549 of said Code (collectively, the "Refunding Law"), and are authorized pursuant to a Resolution adopted by the District on January 16, 2002 (the "Resolution"). U.S. Bank, N.A., Los Angeles, California is acting as paying agent (the "Paying Agent") under the Resolution.

Pursuant to a Purchase Contract dated January 31, 2002, between the District and the Underwriter, the Bonds were sold to the Underwriter. The Bonds will be issued by the District on October 2, 2002, to provide funds which are to be applied to advance refund the District's General Obligation Bonds, 1997 Election, Series A (the "1997A Bonds"), General Obligation Bonds, 1997 Election, Series B (the "1997B Bonds"), General Obligation Bonds, 1997 Election, Series C (the "1997C Bonds") and General Obligation Bonds, 1997 Election Series D (the "1997D Bonds" and, together with the 1997A Bonds, the 1997B Bonds, and the 1997C Bonds, the "Prior Bonds"), and to pay the initial premium owed to MBIA Insurance Corporation (the "Insurer" or "MBIA"). See "REFUNDING PLAN" and "ESTIMATED USE OF BOND PROCEEDS" herein. Notwithstanding the advance refunding of the Prior Bonds, the District has retained the optional redemption rights with respect to such Prior Bonds pursuant to the resolutions and other documents under which the Prior Bonds were issued.

The Bonds are general obligation bonds of the District. See "THE BONDS - Security and Sources of Payment for the Bonds." The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by the Insurer. See APPENDIX C - "SPECIMEN INSURANCE POLICY."

REFUNDING PLAN

The District has heretofore issued the Prior Bonds in the total initial aggregate principal amount of \$49,000,000, for the purpose of financing additional classrooms, and the repairing and refurbishing of existing facilities. The Prior Bonds were issued pursuant to resolutions adopted by the Board of Trustees of the District (collectively, the "Prior Resolutions"). The Prior Bonds represent general obligations of the District.

Substantially all of the proceeds of the Bonds will be used to purchase a portfolio of direct obligations of, or obligations the payment of principal of and interest on which are guaranteed by, the United States of America (the "Escrow Portfolio"). The Escrow Portfolio will be deposited under an Escrow Deposit and Trust Agreement, dated as of October 1, 2002 (the "Escrow Agreement"), between the District and U.S. Bank, N.A., as escrow agent with respect to the Prior Bonds (the "Escrow Agent"), in order to provide for the payment in full of the Prior Bonds. Grant Thornton, LLP, independent certified public accountants, will verify the arithmetical accuracy of the calculations demonstrating the adequacy of the Escrow Portfolio to assure timely payment of debt service on the Prior Bonds to the respective maturity dates thereof. See "VERIFICATIONS" herein.

By virtue of the deposit of the Escrow Portfolio described above, the Prior Bonds will be defeased in accordance with the terms thereof and the terms of the Prior Resolutions, and all obligations of the District with respect to the Prior Bonds will cease, except the obligation to cause debt service payments to be made from the escrow fund. Notwithstanding the foregoing, the District has retained its right to optionally redeem the Prior Bonds pursuant to the Prior Resolutions.

ESTIMATED USE OF BOND PROCEEDS

The proceeds of the sale of the Bonds (in the amount of \$45,831,840.38) received by the District, together with other moneys available to the District (in the amount of \$120,000) are expected to be applied to the purchase of the Escrow Portfolio (in the amount of \$45,762,431.75) in order to provide for the advance refunding of the Prior Bonds, to the payment of the premium owed to the Insurer (\$180,000), to deposit accrued interest on the Bonds under the Resolution (\$6,840.38) and to fund certain miscellaneous costs of issuance (\$2,568.25). See "REFUNDING PLAN" herein. All other costs of issuance with respect to the Bonds will be paid from other moneys available to the District.

THE BONDS

The Bonds are initially available in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds as nominee of The Depository Trust Company ("DTC"), New York, New York, references herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. Interest on and principal of the Bonds will be payable by the Paying Agent to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of a Letter of Representation by and among the Paying Agent, the District and DTC (the "Letter of Representation").

General

The Bonds are issuable only in fully registered form in denominations of \$5,000 principal amount, or any integral multiple thereof. The Bonds are dated October 1, 2002, bear interest at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing February 1, 2003.

Interest on and principal of the Bonds will be payable by the Paying Agent, to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of the Letter of Representation.

Book-Entry Only System

The Bonds will be held by DTC, as securities depository. The ownership of one fully registered Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "indirect Participants").

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants, and the persons for whom they acquire interests in the Bonds as nominees (the "Beneficial Owners"), will not receive certificated Bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures.

Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bonds acquired. Each Beneficial Owner may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, be forwarded in writing by such DTC Participant and to have notification made of all interest payments.

NEITHER THE DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE RESOLUTION; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

The ownership interest of each Beneficial Owner in the Bonds will be recorded on the records of the DTC Participants, whose ownership interests will be recorded on a computerized book-entry system operated by DTC.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of monies, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form of DTC, the Paying Agent, or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

When notices are given to the Bondholders, they will be sent by the Paying Agent to DTC only (except as otherwise specifically provided in the Resolution). Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to indirect Participants, and by DTC Participants and indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Neither the Paying Agent nor the District is responsible for sending notices to Beneficial Owners.

Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Interest and principal will be paid by the Paying Agent to DTC, then paid by DTC to the DTC Participants, and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Bonds, the Paying Agent may charge DTC, and DTC may charge the DTC Participants and the DTC Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

Because DTC can only act on behalf of Participants, indirect Participants and certain banks, the ability of a Beneficial Owner to pledge such Beneficial Owner's Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Bonds, may be limited due to the lack of a certificate for such Bonds.

DTC has advised the District that it will take any action permitted to be taken by a Bondholder under the Resolution only at the direction of one or more Participants to whose account with DTC the Bonds are credited. Additionally, DTC has advised that it will take such actions with respect to a principal amount of Bonds only at the direction of and on behalf of Participants whose holdings include that principal amount of the Bonds. DTC may take conflicting actions with respect to other principal amounts of Bonds to the extent that such actions are taken on behalf of Participants whose holdings include those principal amounts of the Bonds.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) Bond certificates are required to be delivered as described in the Resolution.

The District may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. In such event, Bond certificates will be required to be delivered.

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

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to their stated maturities.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2031 (the "Term Bonds") shall be subject to mandatory sinking fund redemption on February 1 and August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with accrued interest thereon to the date fixed for redemption.

BONDS MATURING AUGUST 1, 2031

Redemption <u>Date</u>	Principal <u>Amount</u>
August 1, 2024	\$ 200,000
February 1, 2025	2,190,000
August 1, 2025	220,000
February 1, 2026	2,320,000
August 1, 2026	230,000
February 1, 2027	2,465,000
August 1, 2027	240,000
February 1, 2028	2,620,000
August 1, 2028	250,000
February 1, 2029	2,325,000
August 1, 2029	230,000
February 1, 2030	1,615,000
August 1, 2030	160,000
February 1, 2031	670,000
August 1, 2031 (maturity)	100,000

Notice of Redemption. Notice of redemption is to be mailed, first class postage prepaid, to the respective owners of any Bonds designated for redemption at their address appearing on the books required to be kept by the Paying Agent, not less than 30 nor more than 60 days prior to the redemption date, which notice is to specify, among other things: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, and (d) the redemption price.

Annual Debt Service

The schedule below presents the annual debt service for the Bonds.

Annual Debt Service Schedule			
Fiscal Year	Principal	Interest	Total Debt Service
Ending June 30			
2003	\$1,120,000	\$820,845.83	\$1,940,845.83
2004	840,000	2,436,097.50	3,276,097.50
2005	850,000	2,410,872.50	3,260,872.50
2006	885,000	2,379,747.50	3,264,747.50
2007	920,000	2,345,575.00	3,265,575.00
2008	960,000	2,308,240.00	3,268,240.00
2009	995,000	2,267,845.00	3,262,845.00
2010	1,050,000	2,224,235.00	3,274,235.00
2011	1,100,000	2,176,405.00	3,276,405.00
2012	1,150,000	2,125,172.50	3,275,172.50
2013	1,210,000	2,069,890.00	3,279,890.00
2014	1,275,000	2,009,885.00	3,284,885.00
2015	1,345,000	1,944,112.50	3,289,112.50
2016	1,405,000	1,872,045.00	3,277,045.00
2017	1,490,000	1,793,610.00	3,283,610.00
2018	1,590,000	1,706,152.50	3,296,152.50
2019	1,690,000	1,612,845.00	3,302,845.00
2020	1,795,000	1,513,687.50	3,308,687.50
2021	1,905,000	1,408,387.50	3,313,387.50
2022	2,025,000	1,296,652.50	3,321,652.50
2023	2,140,000	1,178,190.00	3,318,190.00
2024	2,250,000	1,052,707.50	3,302,707.50
2025	2,390,000	920,497.50	3,310,497.50
2026	2,540,000	780,097.50	3,320,097.50
2027	2,695,000	631,215.00	3,326,215.00
2028	2,860,000	473,265.00	3,333,265.00
2029	2,575,000	305,662.50	2,880,662.50
2030	1,845,000	155,610.00	2,000,610.00
2031	830,000	49,725.00	879,725.00
2032	<u>100,000</u>	<u>2,925.00</u>	<u>102,925.00</u>
TOTALS	45,825,000	44,272,198.33	90,097,198.33

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy ad valorem taxes for payment of both principal and interest of the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), without limitation of rate or amount.

Defeasance

The Bonds may be defeased prior to maturity by irrevocably depositing an amount of cash or qualified governmental securities which, together with amounts then on deposit in the Debt Service Account held under the Resolution, is sufficient to pay the principal of and interest on all Bonds outstanding. Upon such deposit, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent (on behalf of the District) to pay or cause to be paid from funds deposited to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

MUNICIPAL BOND INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix C for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the

Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading “MUNICIPAL BOND INSURANCE POLICY”. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting

practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2001, MBIA had admitted assets of \$8.4 billion (unaudited), total liabilities of \$6.0 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California.

THE DISTRICT

General Information

The Pleasant Valley School District, a California elementary school district, was formed in 1868. The District provides public education for grades kindergarten through grade eight over a 49 square mile area in southeastern Ventura County. The District operates three middle schools (6-8), one school for grades K-8 and eight elementary schools (K-5).

The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in alternate slates of three and two. The pupil teacher ratio for fiscal year 2001-02 is 20:1 for kindergarten, 20:1 for grades 1-3, 33:1 for grades 4-6, and 28:1 for grades 7-8.

The average daily attendance from 1995-96 to 2002-03 is reported in the table below.

**AVERAGE DAILY ATTENDANCE
PLEASANT VALLEY SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
1995-96	6,938
1996-97	7,015
1997-98	7,070
1998-99	6,861 ⁽²⁾
1999-00	7,016
2000-01	7,012
2001-02	6,893
2002-03 ⁽¹⁾	6,850

⁽¹⁾Estimate.

⁽²⁾Excused absences not included after Fiscal Year 1998-99.

Source: Pleasant Valley School District

Employee Relations

In the fall of 1974, the California State Legislature enacted a public school employee collective bargaining law known as the Rodda Act which became effective in stages on January 1, 1976, April 1, 1976 and July 1, 1976. This law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The District has approximately 1085 total full and part-time employees. Bargaining agents represent all but approximately 601 employees in the management, supervisory, confidential and classified categories. Teachers, nurses, librarians, and other certified employees are represented by the Pleasant Valley Education Association (PVEA), an affiliate of the California Teachers Association and the National Education Association. The PVEA contract expires on June 30, 2004 and includes annual reopeners for salary and two articles per party.

The Service Employees International Union (SEIU) has been selected as the bargaining agent for some of the classified personnel and such personnel are covered by a contract that expires on June 30, 2003.

Pension Plans

The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 2001-02 was \$1,882,833 and for fiscal year 2002-03 \$1,904,191 is budgeted.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's contribution to PERS for fiscal year 2001-02 was \$832,602, and for fiscal year 2002-03 the PERS budgeted amount is \$912,210. Both STRS and PERS are operated on a statewide basis.

The Federal Omnibus Budget Reconciliation Act of 1990 requires all state and local agencies to provide retirement benefits to seasonal and part-time employees effective July 1, 1991. Pleasant Valley School District contributes towards social security (OASDI) for all employees who meet this criteria.

Population

Below is the population for 1996 through 2001 for the District and County.

PLEASANT VALLEY SCHOOL DISTRICT POPULATION

<u>Year</u>	<u>District</u>	<u>Ventura County</u>
1996	58,200	713,800
1997	58,800	721,000
1998	61,533	730,000
1999	63,011	742,000
2000	64,000	756,000
2001	64,000	773,500

Source: District figures are estimates provided by the District.
County figures provided by the State of California, Department of Finance

DISTRICT DEBT STRUCTURE

Short-Term Borrowing

Tax Revenue Anticipation Notes. On July 3, 2002 the District issued a series of tax revenue anticipation notes in the aggregate principal amount of \$5,000,000 bearing interest at the rate of 3% per annum, and maturing on July 2, 2003. Such notes were sold to supplement cash flow.

Lease Obligations

Capital Leases. The District's liability on outstanding capital leases are summarized below:

PLEASANT VALLEY SCHOOL DISTRICT Outstanding Capital Lease Obligations

<u>Fiscal Year Ending June 30</u>	<u>Minimum Lease Payments</u>
2003	12,466.97
2004	12,466.97
2005	12,466.97
2006	12,466.97
2007	<u>12,466.97</u>
	\$62,334.85

Long-Term Borrowing

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

On May 1, 1997, the District issued Refunding Certificates of Participation in the amount of \$4,550,000. The debt was originally issued in 1993 for the purpose of constructing a new elementary school. The outstanding principle amount is \$3,715,000 with a final maturity date of August 1, 2018.

As hereinbefore described, the District has issued the Prior Bonds in the original aggregate principal amount of \$49,000,000. Such Prior Bonds will, however, be deemed paid in full following the issuance of the Bonds. Notwithstanding the advance refunding of the Prior Bonds, the District has retained the optional redemption rights with respect to such Prior Bonds under the terms of the Prior Resolutions.

Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding Bonds issued in the form of general obligation, lease revenue, and special assessment. The direct and overlapping debt of the District is shown in the following table. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT
PLEASANT VALLEY SCHOOL DISTRICT**

2001-02 Assessed Valuation:	\$7,020,499,090
Redevelopment Incremental Valuation:	<u>215,399,686</u>
Adjusted Assessed Valuation:	\$6,805,099,404

	<u>% Applicable</u>	<u>Debt 8/1/02</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Metropolitan Water District	0.633%	\$ 3,184,465
Ventura County Flood Control District, Zone No. 3	22.574%	129,801
Oxnard Union High School District	38.235%	20,161,871
Pleasant Valley School District	100.00%	47,115,000 (1)
City of Camarillo 1915 Act Bonds	100.00%	3,705,000
California State University Community Facilities District No. 2000-01	100.00%	15,085,300
West Camarillo Community Facilities District No. 1	83.469%	<u>7,533,077</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$96,814,514
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Ventura County General Fund Obligations	11.939%	\$10,422,150
Ventura County Pension Obligations	11.939%	12,318,660
Ventura County Superintendent of Schools Certificates of Participation	11.939%	259,076
Ventura County Library Authority	19.421%	38,842
Ventura County Community College District Certificates of Participation	11.943%	1,320,299
Oxnard Union High School District Certificates of Participation	38.235%	7,146,122
Pleasant Valley School District Certificates of Participation	100.00%	3,530,000
City of Camarillo Certificates of Participation	94.810%	5,025,131
Camarillo Sanitary District Certificates of Participation	92.438%	8,554,941
Pleasant Valley County Water District Certificates of Participation	45.317%	<u>486,301</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$49,101,522
Less: Camarillo Sanitary District Certificates of Participation		<u>8,554,941</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$40,546,581
GROSS COMBINED TOTAL DEBT		\$145,916,036 (2)
NET COMBINED TOTAL DEBT		\$137,361,095

(1) Excludes general obligation bonds to be sold.

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

Ratios to 2001-02 Assessed Valuation:

Direct Debt (\$47,115,000)	0.67%
Total Direct and Overlapping Tax and Assessment Debt	1.38%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$50,645,000).....	0.74%
Gross Combined Total Debt	2.14%
Net Combined Total Debt	2.02%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/02: \$0

Source: California Municipal Statistics, Inc.

TAXATION AND APPROPRIATIONS

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 real property, the taxes on which are a lien 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 sent to collection 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 1-1/2% 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 tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding March 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), 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, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the March 1 lien date.

Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent, if unpaid on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% 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 in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Unitary Taxation of Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The changes call for the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All of this property is then subjected to a tax at a rate equal to the sum of the following two rates:

a) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total ad valorem secured roll assessed value for the prior year, and

b) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year for debt service only by the county's total ad valorem secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, pool 1 being available for general tax purposes and pool 2 for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. The following table displays tax levy and delinquency data for the District over recent years.

**SECURED TAX LEVIES AND DELINQUENCIES
PLEASANT VALLEY SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>Secured Tax Levy⁽¹⁾</u>	<u>Secured Tax Delinquencies</u>	<u>Delinquencies as a Percent of Levy</u>
1994-95	\$7,372,075.21	\$245,328.58	3.33%
1995-96	7,542,469.29	175,246.66	2.32%
1996-97	7,735,338.29	161,573.84	2.09%
1997-98	7,900,286.09	144,540.35	1.83%
1998-99	8,377,242.01	175,148.61	2.09%
1999-00	9,211,628.01	163,667.62	1.78%
2000-01	10,115,168.22	164,411.85	1.63%

Teeter Plan

Ventura County operates under a provision of Revenue and Taxation Code Section 4701-4716 (commonly referred to as the “Teeter Plan”) pursuant to which public agencies in the county may receive their total secured tax levies and special assessments irrespective of actual collections and delinquencies. Pursuant to said provisions, the county establishes a delinquency reserve and assumes responsibility for all secured delinquencies.

The County Pooled Investment

As required by State Law, the District deposits all of its General Fund and Leasing Tax Fund revenues with the County of Ventura’s Pooled Investment Fund. Regarding the Pooled Investment Fund, the County’s investment policy states that “Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required. Investments should be made in securities of high quality to avoid credit risk and loss of principal. Investments susceptible to side price fluctuations due to market volatility should be avoided.”

The County Pooled Investment Fund has an average maturity life of approximately 202 days, as of July 31, 2002. The District has no reason to believe that the general operating funds or any other District funds on deposit with Ventura County are at risk.

Largest Taxpayers

The following table lists the twenty largest assessed property taxpayers within the District for fiscal year 2001-02.

2001-02 LARGEST LOCAL SECURED TAXPAYERS PLEASANT VALLEY SCHOOL DISTRICT

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Percentage Of Total⁽¹⁾</u>
1. Technicolor Videocassette	Industrial	\$103,543,072	1.61%
2. Chelsea GCA Realty Partners	Shopping Center	67,526,023	1.05%
3. Imation Corp.	Industrial	67,251,490	1.05%
4. Pardee Construction Co.	Residential Development	50,841,325	0.79%
5. PEGH Investments LLC	Industrial	37,753,273	0.59%
6. Essex Camarillo	Apartments	34,212,510	0.53%
7. ESJ Centers LLC	Commercial	32,858,593	0.51%
8. MF Daily Investment Co.	Shopping Center	30,921,515	0.48%
9. Camarillo Village Investors	Shopping Center	25,043,482	0.39%
10. National Golf Operating Partnership	Golf Course	22,435,976	0.35%
11. Ponderosa Senior Housing	Apartments	22,306,310	0.35%
12. Kilroy Realty LP	Industrial	17,618,215	0.27%
13. Levon Investments LLC, Lessor	Shopping Center	16,475,896	0.26%
14. Weyerhaeuser Co.	Industrial	16,442,558	0.26%
15. YTC America Inc.	Industrial	15,918,521	0.25%
16. Principal Life Insurance Company	Industrial	15,800,000	0.25%
17. Mission Oaks Associates LLC	Industrial	14,790,000	0.23%
18. Edwards Theatres Circuit Inc.	Movie Theater	13,706,701	0.21%
19. Centex Industrial Camarillo	Industrial	13,206,780	0.21%
20. Arden Realty Finance V LLC	Office Building	<u>12,609,799</u>	<u>0.20%</u>
		\$631,262,039	9.85%

(1) 2001-02 Local Secured Assessed Valuation \$6,411,560,670

Source: California Municipal Statistics, Inc.

Historic Assessed Valuation

The District has a 2001-02 gross assessed valuation of \$7,020,499,090 (full cash value). The following table shows the assessed valuation historical trends for the District and the County.

HISTORIC ASSESSED VALUATIONS⁽¹⁾
PLEASANT VALLEY SCHOOL DISTRICT

<u>Fiscal Year</u>	<u>District Assessed Valuations</u>	<u>County Assessed Valuations</u>
1994-95	\$4,758,448,794	\$43,329,798,931
1995-96	4,878,607,273	43,982,769,892
1996-97	4,988,357,759	44,553,121,968
1997-98	5,184,770,929	47,494,693,867 ⁽²⁾
1998-99	5,503,594,768	49,414,090,858 ⁽²⁾
1999-00	5,973,401,356	50,934,919,851
2000-01	6,467,857,042	57,141,206,405
2001-02	7,020,499,090	61,969,963,149

(1) Before redevelopment increment.

(2) Includes Unitary Utility.

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

District Budget

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

Under current law the District Board of Education approves an adopted budget by July 1 of each fiscal year. The following table shows the District's audited actuals for Fiscal Year 2000-01, estimated actuals for Fiscal Year 2001-02 and adopted budget for Fiscal Year 2002-03.

**GENERAL FUND BUDGET
FISCAL YEARS 2000-01 THROUGH 2002-03
PLEASANT VALLEY SCHOOL DISTRICT**

	2000-01 Audited <u>Actuals</u>	2001-2002 Estimated <u>Actuals</u>	2002-2003 <u>Budget</u>
Beginning Balance	\$2,461,942	\$4,399,919*	\$1,661,540
Revenues			
Revenue Limit Income	\$30,151,120	\$31,003,564	30,895,214
Federal Income	1,456,530	1,775,387	1,249,276
State Income	9,232,959	7,825,279	7,970,142
Local Income	952,467	4,525,408	4,149,040
Tuition and Transfers	<u>2,784,623</u>	<u>0</u>	<u>0</u>
Total Revenue	\$44,577,699	\$45,129,638	44,263,672
Expenditures			
Certificated Salaries	\$22,796,505	24,067,435	22,504,777
Classified Salaries	6,787,779	7,693,395	7,345,224
Employee Benefits	7,109,529	8,360,850	8,287,747
Books & Supplies	1,769,591	3,847,946	2,718,794
Svcs. & Other Operating Expenses	2,773,887	3,302,465	2,810,479
Capital Outlay	577,142	35,926	211,800
Other Outgo Expenditures	<u>1,199,610</u>	<u>350,000</u>	<u>350,000</u>
Total Expenditures	\$43,014,043	\$47,658,017	\$44,228,821
Other Financing Sources and Uses			
Operating Transfers In	\$ 1	\$0	\$33,000
Operating Transfers Out	<u>(342,946)</u>	<u>(210,000)</u>	<u>(200,000)</u>
Total Other Financing Sources & Uses	\$ (342,945)	\$(210,000)	\$(167,000)
Net Ending Balance	\$3,682,553	\$1,661,540	\$1,529,391

*Beginning balance changed to reflect District's 2000/01 Estimated Actuals.

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 State of California Education Code, is to be followed by all California school districts.

District revenues are recognized during the period in which they become both measurable and available to finance operations of the current fiscal period. District expenditures are reflected in the fiscal period in which the liability occurred.

District accounting is organized on the basis of governmental fund types, with each fund consisting of a separate set of self-balancing accounts containing assets, liabilities and fund balances, including revenues and expenditures. The major fund classification is the General Fund which accounts for the general operations of the District. The District's fiscal year begins on July 1 and ends on June 30.

The District's independent auditor is currently Vavrinek, Trine, Day & Company, LLP, Rancho Cucamonga, California. The audited financial statements for the year ended June 30, 2001 is included as Appendix A hereto.

STATE OF CALIFORNIA FINANCES

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

State Funding of Education

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("ADA"). Such apportionments will, in general, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts. In November 1988, California voters approved an amendment to the California Constitution which guarantees primary and secondary education and the community college system a certain percentage of the state general fund budget for the 1988-89 budget year and subsequent budget years.

The following table shows the District's revenue limit per unit of average daily attendance and revenue limit total.

**PLEASANT VALLEY SCHOOL DISTRICT
REVENUE LIMIT FISCAL YEARS 1995-96 THROUGH 2001-02⁽¹⁾**

Fiscal Year	Revenue Limit Per Unit of Average Daily Attendance	Average Daily Attendance	Total Revenue Limit
1995-96	\$3,403.06	6,938	\$23,990,967
1996-97	3,567.33	7,015	24,945,100
1997-98	3,752.87	7,070	26,403,456
1998-99	4,057.15	6,861 ⁽²⁾	25,467,646
1999-00	4,115.15	7,016	26,932,239
2000-01	4,247.15	7,012	29,231,472
2001-02 ⁽²⁾	4,414.15	6,893	30,427,442

(1) Commencing with the 1998-99 fiscal year, ADA is based on actual attendance per SB 727.

(2) Estimate.

Source: Pleasant Valley School District

State Funding of Education and Recent State Budgets

General. On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State Appropriations Limit, primarily by guaranteeing K-14 schools a minimum share of General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3 percent of the General Fund tax revenues, based on 1986-87 appropriations. However, that percent has been adjusted to approximately 35 percent to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of General Fund revenues to schools.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 schools (see "LIMITATIONS ON TAX REVENUES" below).

During the recession in the early 1990s, General Fund revenues for several years were less than originally projected, so that the original Proposition 98 appropriations turned out to be higher than the minimum percentage provided in the law. The Legislature responded to these developments by designating the "extra" Proposition 98 payments in one year as a "loan" from future years' Proposition 98 entitlements, and also intended that the "extra"

payments would not be included in the Proposition 98 “base” for calculating future years’ entitlements. By implementing these actions, per-pupil funding from Proposition 98 sources stayed almost constant at approximately \$4,200 from fiscal year 1991-92 to fiscal year 1993-94.

In 1992, a lawsuit was filed, called *California Teachers’ Association v. Gould*, which challenged the validity of these off-budget loans. The settlement of this case, finalized in July 1996, provides, among other things, that both the State and K-14 schools share in the repayment of prior years’ emergency loans to schools.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through the following State of California sources. The information described below is incorporated herein by reference:

(1) The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading “Bond Information,” posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(2) The California State Treasurer’s Office Internet home page at www.treasurer.ca.gov, under the heading “Financial Information,” posts the State’s audited financial statements. In addition, the “Financial Information” section includes the State’s Rule 15c2-12 filings for State bond issues. The “Financial Information” section also includes the “Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation” from the State’s most current Official Statement, which discusses the State budget and its impact on school districts.

(3) 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.

(4) 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 “Products”.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE PAYING AGENT, THE UNDERWRITER OR THE OWNERS OF THE BONDS TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, NEITHER THE DISTRICT NOR THE UNDERWRITER ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH HEREIN OR INCORPORATED BY REFERENCE HEREIN.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the “State Lottery”), the net revenues of which are used to supplement money allocated to public education. This amendment prohibited the use of funds derived from the State Lottery for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per ADA or full-time equivalent (“FTE”). This figure is derived by dividing the total net revenues figure by the total ADA for grade K-12 and community colleges, and by the total FTE for the University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA and FTE, as applicable, multiplied by the per ADA or FTE figure. Although the allocation formula is established, the exact amount of future State Lottery revenues is impossible to predict. State Lottery revenues received by the District for the General Fund in fiscal year 2001-02 were approximately \$817,394, and for fiscal year 2002-03, State Lottery revenues are also projected to be \$809,000. State Lottery funds account for approximately 1.8% of budgeted total General Fund revenues.

Proposition 1A

On November 3, 1998, California voters approved the "Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 1998" ("Proposition 1A") which provides authorization for State of California bonds to be issued in the amount of \$9.2 billion. The proceeds of the bonds will be used to fund necessary education facilities for at least four years for class size reduction to relieve overcrowding and accommodate student enrollment growth. It includes \$6.7 billion to finance acquisition of land, new construction, renovation and Class Size Reduction Program costs for public schools from Kindergarten through high school (K-12) and \$2.5 billion to finance new construction, renovation and the purchase of equipment and California's public colleges and universities.

Of the \$6.7 billion for K-12 school facilities, Proposition 1A authorizes: at least \$2.9 billion to buy land and construct new school buildings (school districts would be required to pay 50 percent of eligible project costs with local revenues); at least \$2.1 billion for reconstruction and modernization of existing buildings (school districts would be required to pay 20 percent of eligible project costs with local revenues); up to \$700 million for Class Size Reduction Program facilities costs; up to \$1 billion for projects where the State determines that a school district is either unable to provide sufficient local matching funds or will incur excessive school construction costs.

Of the \$2.5 billion for public colleges and universities, \$165 million would be allocated specifically for new campuses of the University of California and new campuses, campuses with enrollments of less than \$5,000 full-time equivalent students, and off-campus centers at the California State University and the California Community Colleges.

Proposition 1A, however limits developer fees for school mitigation to \$1.93 per square foot for residential structures and \$0.31 per square foot for commercial or industrial structures. However, these limits may be exceeded if a school district meets certain conditions regarding capacity problems and local bonding efforts. In these cases, school districts could increase developer fees to fund the 50 percent matching requirement for new school construction. If there are no state funds available for new school construction, districts could increase developer fees to fund 100 percent of a school project. If a school district receives funding from the State, up to 50 percent of the project cost could be reimbursed to the parties that originally paid the fee. Additionally, between November 1998 and the primary election of 2006, cities and counties may not require additional fees for school construction as a condition of approving new developments. However, they may designate land for school sites. After that period, cities and counties may require additional fees if any statewide school measure is rejected by the voters. The fee would then be limited to 50 percent of the cost of new school projects if state funds are available, or 100 percent of state costs if no state funds are available.

The District has not had the opportunity to fully evaluate the impact of Proposition 1A, however, the District believes that its passage will cause a reduction of Developer impact fees paid to the District and a greater reliance on additional funding for school facilities through the issuance of general obligation bonds and community facilities district bonds.

The foregoing is subject to legislation implementing Proposition 1A. The legislation could change the allocation of State bond proceeds among K-12 and college projects and could change the process to receive State matching funds.

LIMITATIONS ON TAX REVENUES

Property Tax Collection Procedures

In California taxes are levied by the counties for each fiscal year on taxable real and personal property as of the preceding January 1. 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 (1) state-assessed public utilities' property and (2) 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 sent to collections on or about June 30 of the fiscal year. Such tax-defaulted property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

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 ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% 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 in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Property Tax Rate Limitations - Article XIII A

On June 6, 1978, the California voters added Article XIII A to the California Constitution which limits the amount of any ad valorem taxes on real property to one percent (1%) of its full cash value, except that additional ad valorem property taxes may be levied (1) to pay debt service on indebtedness approved prior to July 1, 1978, and (2) (as a result of an amendment to Article XIII A approved by California 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 voting on such indebtedness, and (3) (as a result of an amendment to Article XIII A approved by California voters on November 7, 2000) for bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment period." This cash value may be increased at a rate not to exceed two percent (2%) per year to account for inflation. The California Supreme Court upheld the validity of Article XIII A, in general, in the case of *Amador Valley Joint Union High School District v. State Board of Equalization* (1978), 22 Cal. 3rd 208. Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

The California Supreme Court and U.S. Supreme Court have recently upheld the constitutionality of the acquisition value method of property assessment mandated by Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any ad valorem property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied annually by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 Fiscal Year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value under which a 1% tax rate would have been expressed as \$4.00 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the basic tax rate is expressed as \$1.00 per \$100 of taxable value.

Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities have an annual "appropriations subject to limitation" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations subject to limitation." Article XIII B does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two-thirds of the voters or qualified capital outlay projects. Pursuant to law, school districts are able to increase their appropriations limit by notice to the State Director of Finance which adjustment is generally based on certain 1978-79 expenditures, adjusted annually to reflect changes in consumer prices, populations and services provided by such agencies. Under Article XIII B, if an agency's revenues in any fiscal year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules.

Unitary Taxation of Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The changes call for the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All of this property is then subjected to a tax at a rate equal to the sum of the following two rates:

- (a) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total ad valorem secured roll assessed value for the prior year, and
- (b) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year for debt service only by the county's total ad valorem secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, pool 1 being available for general tax purposes and pool 2 for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

Proposition 163

On November 3, 1992, voters approved an initiative statute, Proposition 163, which exempts certain food products, including candy and other snack foods, from the State's sales tax. The sales tax had been broadened to include

those items as part of the 1991-92 budget legislation. The State Legislative Analyst estimated a revenue reduction of \$200 million for the remainder of fiscal year 1992-93 and a \$300-350 million reduction per year thereafter.

Proposition 187

On November 8, 1994, California voters approved a State-wide initiative entitled "Illegal Aliens Ineligibility for Public Service Verification and Reporting Initiative Statute" ("Proposition 187"). Proposition 187 makes persons with foreign citizenship who have entered California illegally ineligible for public social services, public health care services (unless an emergency), and public school education at elementary, secondary and post-secondary levels. The United States Immigration and Naturalization Service ("INS") estimates that currently there are over 1.5 million illegal immigrants in California. Among the provisions in Proposition 187 pertaining to public school education, the measure requires, commencing January 1, 1995, that every postsecondary educational institution in the State verify the legal status of every person enrolled or in attendance at that institution. If a student is determined to be or is under "reasonable suspicion" of being in the United States illegally, that institution must report the student to the United States Immigration and Naturalization Service and certain other parties. The measure also prohibits a postsecondary institution admitting, enrolling or permitting the attendance of any person who is not a United States citizen or a person legally admitted to the United States. The California Legislative Analyst estimates that verification costs could be in the tens of millions of dollars on a statewide level (including verification costs incurred by other local governments under Proposition 187) with first-year costs potentially in excess of \$100 million. The California Legislative Analyst also estimates that approximately 300,000 students in the California public education system are illegal immigrants.

It is possible that for every student that the District would be forced to exclude under Proposition 187, a portion of the State revenues it receives annually may be lost. However, since the District does not have a reliable means of estimating what proportion of their student population may be in California illegally, it is not possible to estimate what, if any, the impact Proposition 187 may have on the District or the State revenues they receive. Additionally, the District must comply with a variety of federal laws in order to receive federal funds. Both the exclusion of students and the verification and reporting requirements of Proposition 187 appear to be at odds with various federal and State laws. The reporting requirements specifically may violate the Family Educational Rights and Privacy Act ("FERPA") which generally prohibits schools that receive federal funds from disclosing information in student records without parental consent. Compliance with FERPA is a condition of receiving federal education funds, which total \$2.3 billion annually to California school districts. The Secretary of the U.S. Department of Education has indicated that the reporting requirement in Proposition 187 could jeopardize the ability of school districts to receive these funds.

The United States Supreme Court in *Plyler v. Doe* (1982) 457 U.S. 202 held that access to public education must be granted to all children. According to the State Legislative Analyst, the exclusion of illegal immigrant children as set forth in Proposition 187 is in direct conflict with *Plyler v. Doe*. Unless the Supreme Court alters the position it took in *Plyler v. Doe*, the provision of Proposition 187 mandating the exclusion of illegal immigrant children appears likely to be struck down. Even assuming an effective challenge regarding exclusion of students, it is possible that the District might still bear the financial burden of verifying the legal status of their students and reporting that status to the INS as well as a loss of federal funds as discussed above. The District cannot currently estimate what that reporting cost may be.

Federal Court Procedural Motions: Preliminary Injunctions and Summary Judgment. After Proposition 187 was adopted, several actions challenging its constitutionality were commenced in federal and state courts in California against California Governor Pete Wilson, among others. Five actions filed in the United States District Court were consolidated in the United States District Court, Central District of California before Judge Mariana R. Pfaelzer.

On December 14, 1994, Judge Pfaelzer granted the plaintiffs' motion for a preliminary injunction, enjoining the implementation and enforcement of sections 4, 5, 6, 7, and 9 of Proposition 187. On November 20, 1995, Judge Pfaelzer granted in part and denied in part the plaintiffs' motion for summary judgment. The court granted the summary judgment motions with respect to the classification, notification and cooperation/reporting provisions of sections 4 through 9 of Proposition 187 on the ground that these provisions created an impermissible state scheme to regulate immigration and were therefore preempted by State law. The court further held that section 7's denial of primary and secondary education conflicted with a 1982 United States Supreme Court decision in *Plyler v. Doe*, which held that the Equal Protection Clause of the Fourteenth Amendment prohibits states from excluding undocumented alien children from public schools.

The court denied plaintiffs' motion for summary judgment with respect to sections 2 and 3 and with respect to the benefits denial provisions in sections 5, 6 and 8 on the basis of the defendant's claim that it could promulgate regulations that would bring the procedure for denying benefits into conformity with federal law. Finally, the court further denied the motions for summary judgment with respect to section 8, which denies postsecondary education to certain categories of non-citizens.

The Federal Personal Responsibility Act. On August 22, 1996, President Clinton signed the Personal Responsibility Act (the "PRA"), a comprehensive statutory scheme for determining aliens' eligibility for federal, state and local benefits and services. The PRA states that it is the immigration policy of the United States to restrict alien access to substantially all public benefits.

Final District Court Resolution of Proposition 187. On March 13, 1998, Judge Pfaelzer ruled that the PRA preempts all of Proposition 187 except section 2 (which establishes state criminal penalties for the manufacture, distribution, or sale of false documents to conceal the citizenship or alien status of another person), section 3 (which penalizes any person who uses false documents to conceal his or her true citizenship or resident alien status) and section 10 (which details the process for amendment of, and declares the severability of invalid portions of, the initiative).

Effect of Federal Court Ruling. The State of California has appealed Judge Pfaelzer's decision. As a consequence, it cannot be predicted what the ultimate fiscal impact of Proposition 187 will be, nor the effect of Proposition 187 on the District or the Bonds.

Proposition 218

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election following approval by 2/3 of the District's voters. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The Districts cannot predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional. However, the School Districts do not believe Proposition 218 will directly impact the revenues available to pay debt service on their refunding general obligation bonds.

Future Initiatives

Article XIII A, Article XIII B and Propositions 98 and 187 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

TAX EXEMPTION

Delivery of the Bonds is subject to the opinion of Best Best & Krieger LLP, Bond Counsel, that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A complete form of the Opinion of Bond Counsel is set forth in APPENDIX B and will be printed on the Bonds. The opinion of Bond Counsel is based on an analysis of existing laws, regulations, rulings and court decisions, and assume among other matters, continuing compliance with certain covenants described below.

The Internal Revenue Code of 1986, as amended, imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

VERIFICATIONS

Grant Thornton, LLP, independent certified public accountants, will verify the arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (i) the sufficiency of amounts deposited under the Escrow Agreement to pay all principal of and interest due and payable on the Prior Bonds, and (ii) certain yield calculations. Such computations were based solely on assumptions and information supplied on behalf of the District. Grant Thornton, LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data use, the reasonableness of the assumptions, or the achievability of future events.

CERTAIN LEGAL MATTERS

Absence of Litigation

At the time of payment for and delivery of the Bonds, the Underwriter will be furnished with a certificate of the District that to the best knowledge of the officer of the District executing the same that there is no litigation pending or threatened, affecting the validity of the Bonds.

Legal Opinions

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel. In addition, certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, counsel to the District.

ENFORCEABILITY OF REMEDIES

The remedies available to the Paying Agent and the registered owners of the Bonds upon an event of default under the Resolution and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

UNDERWRITING

The Bonds are being purchased for reoffering by Kinsell, Newcomb & DeDios, Inc. (the "Underwriter"). For its services rendered in connection with the issuance of the Bonds, and pursuant to additional agreements and hedging transactions related thereto, the Underwriter will earn an underwriting fee equal to approximately 1.09% of the aggregate principal amount of the Bonds. The contract of purchase pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District not later than nine months after the end of the District's fiscal year (presently June 30) in each year commencing with its report for the 2001-2002 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District or its designee with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the District or its designee with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of

the information to be contained in the Annual Report or the notices of material events by the District is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

At the time of payment for and delivery of the Bonds, it is expected that Standard & Poor's Corporation and Moody's Investors Service, Inc. will assign their municipal bond ratings of "AAA" and "Aaa", respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be insured by MBIA Insurance Corporation. Furthermore, Standard & Poor's Corporation will assign the Bonds an underlying rating of "A+". There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the applicable rating agency, if in such judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

At the time of delivery and payment for the Bonds, an authorized representative of the District will deliver a certificate stating that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

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

PLEASANT VALLEY SCHOOL DISTRICT

By: /s/ Dr. Howard Hamilton
Title: Superintendent

APPENDIX A

**AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR FISCAL YEAR 2000-01**

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Honorable Members of the Board of Trustees
of Pleasant Valley Unified School District
Camarillo, California

Re: \$45,825,000 Pleasant Valley Unified School District
(County of Ventura, California)
2002 General Obligation Refunding Bonds, Series A

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and the proceedings taken by the Pleasant Valley Unified School District (the "District") in connection with the authorization, issuance and sale of the \$45,825,000 aggregate principal amount Pleasant Valley Unified School District (County of Ventura, California) 2002 General Obligation Refunding Bonds, Series A (the "Bonds"), including the resolution adopted by the Board of Trustees on January 16, 2002 (the "Resolution") providing for the issuance of the Bonds, and such other information and documents as we consider necessary to render this opinion.

Based upon such examination, we are of the opinion as of the date hereof, that the proceedings referred to above have been taken in accordance with the Constitution and laws of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchasers thereof, constitute the legally valid and binding general obligations of the District enforceable in accordance with their terms subject to the qualifications specified below. Except where funds are otherwise available, as may be permitted by law, the Bonds are payable, as to both principal and interest, from taxes to be levied on all taxable property within the District without limitation as to rate or amount.

The Internal Revenue Code of 1986, as amended (the "Code"), contains certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of the issuance of the Bonds. The District has covenanted in the Resolution to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for

purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of the interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights, heretofore or hereafter enacted, and the enforcement of the Bonds may be subject to the application of equitable principles and judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX C

FORM OF BOND INSURANCE POLICY

APPENDIX D

\$45,825,000

**PLEASANT VALLEY SCHOOL DISTRICT
(COUNTY OF VENTURA, CALIFORNIA)
2002 GENERAL OBLIGATION REFUNDING BONDS, SERIES A**

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Pleasant Valley School District (the “District”) in connection with the issuance of \$45,825,000 aggregate principal amount of Pleasant Valley School District (County of Ventura, California) 2002 General Obligation Refunding Bonds, Series A (the “Bonds”). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on January 16, 2002 (the “Bond Resolution”). The District 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 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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.

“*Dissemination Agent*” means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

“*National Repository*” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. As of the date of this Disclosure Certificate, the following is a complete list of all the National Repositories:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
Email: NRMSIR@FTID.com

Standard & Poor’s J. J. Kenny Repository

55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

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

“*Repository*” means each National Repository and each State Repository.

“*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.

“*State Repository*” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing March 31, 2003 with the report for the 2001/2002 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). 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 date required above for the filing of the Annual Report 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).

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Appendix A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; 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, stating the date it was provided and listing all the Repositories to which it was provided.

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

- (a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

- (b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:
- (i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;
 - (ii) pension plan contributions made by the District for the preceding fiscal 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 preceding 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 preceding fiscal year;
 - (v) the District's total revenue limit for the preceding fiscal year;
 - (vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and
 - (vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.
- (c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further 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.

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 have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:
- (1) Principal and interest payment delinquencies.
 - (2) Non-payment related defaults.
 - (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 or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Bond Resolution.

Section 6. 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 Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. 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 such Agent, with or without appointing a successor Dissemination Agent.

Section 8. 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 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 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 Bonds in the manner provided in the Bond Resolution for amendments to the 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 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 sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. 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 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the 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 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 11. Duties, Immunities and Liabilities of Dissemination Agent. 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 it 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 obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 2, 2002

PLEASANT VALLEY SCHOOL DISTRICT

By: _____
Superintendent,

APPENDIX A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Pleasant Valley School District

Name of Bond Issue: \$45,825,000 aggregate principal amount of Pleasant Valley School District (County of Ventura, California) 2002 General Obligation Refunding Bonds, Series A

Date of Issuance: October 2, 2002

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.06 of the Term Sheet adopted by the District with respect to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

PLEASANT VALLEY SCHOOL DISTRICT

By: _____
Title: