This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: S&P: "___"; Moody's: "___"
See "MISCELLANEOUS – Ratings" herein

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$16,500,000*
PALO VERDE COMMUNITY COLLEGE DISTRICT
(Riverside and San Bernardino Counties, California)

$12,500,000*
Election of 2014 General Obligation Bonds, Series A

$4,000,000*
2016 General Obligation Refunding Bonds
(School Facilities Improvement District No. 2004-1)

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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Palo Verde Community College District (Riverside and San Bernardino Counties, California) Election of 2014 General Obligation Bonds, Series A (the "New Money Bonds") were authorized at an election of the registered voters of the Palo Verde Community College District (the "District") held on November 4, 2014 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $12,500,000 principal amount of general obligation bonds of the District. The New Money Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, (ii) prepay a portion of the District's Certificates of Participation (2008 Conversion of 2007 Auction Rate Certificates) and (iii) pay the costs of issuing the New Money Bonds.

The New Money Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of Riverside and San Bernardino Counties are empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the New Money Bonds when due.

The Palo Verde Community College District (Riverside and San Bernardino Counties, California) 2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1) (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds") are being issued by the District to (i) refund the District's outstanding Bonds of the School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District, Election of 2005, Series 2005 (Bank Qualified) and Bonds of the School Facilities Improvement District No. 2004-1 (the "Improvement District") of the Palo Verde Community College District, Election of 2005, Series 2006 (Bank Qualified), and (ii) pay the costs of issuing the Refunding Bonds.

The Refunding Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of San Bernardino County is empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the Improvement District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Bonds. The Bonds will be issued as current interest bonds, such that interest thereon shall accrue from the date of the delivery and be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2016. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "Book-Entry Only System" herein.

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity dates as described herein.*

MATURITY SCHEDULE*
(see inside front cover)

*The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____ __, 2016.**

Morgan Stanley

The date of this Official Statement is: _____ ____, 2016.

* Preliminary, subject to change.

MATURITY SCHEDULE

$12,500,000*
PALO VERDE COMMUNITY COLLEGE DISTRICT
(Riverside and San Bernardino Counties, California)
Election of 2014 General Obligation Bonds, Series A

Base CUSIP(†): 697479

$_____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(†)

$_____ – ___% Term Bonds due August 1, 20__ – Yield ____ – CUSIP(†): ___

---

* Preliminary, subject to change.

(†) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. None of the Underwriter, the Financial Advisor or the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

$4,000,000*
PALO VERDE COMMUNITY COLLEGE DISTRICT
(Riverside and San Bernardino Counties, California)
2016 General Obligation Refunding Bonds

Base CUSIP(†): 697479

$_____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(†)

$_____ – ___% Term Bonds due August 1, 20__ – Yield ____ – CUSIP(†): ___

---

* Preliminary, subject to change.

(†) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. None of the Underwriter, the Financial Advisor or the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement.

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

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover pages and said public offering prices may be changed from time to time by the Underwriter.

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

PALO VERDE COMMUNITY COLLEGE DISTRICT

Board of Trustees

George Thomas, *President*
Ned Hyduke, *Vice President*
Ermila Rodriguez, *Clerk*
Ted Arneson, *Trustee*
Ed Gonzales, *Trustee*
Jerry Lewis, *Trustee*
Suzanne Woods, *Trustee*

District Administration

Dr. Donald G. Wallace, *Superintendent/President*
Russi Egan, *Chief Business Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

KNN Public Finance, a Division of Zions Public Finance, Inc.
Oakland, California

Paying Agent, Registrar, Transfer Agent and Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

_____
_____, _____

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$16,500,000*
PALO VERDE COMMUNITY COLLEGE DISTRICT
(Riverside and San Bernardino Counties, California)

$12,500,000*	**$4,000,000***
Election of 2014 General Obligation Bonds, Series A	**2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1)**

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover pages, and appendices hereto, provides information in connection with the sale of (i) Palo Verde Community College District (Riverside and San Bernardino Counties, California) Election of 2014 General Obligation Bonds, Series A (the "New Money Bonds") and (ii) Palo Verde Community College District (Riverside and San Bernardino Counties, California) 2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1) (the "Refunding Bonds," and together with the New Money Bonds, the "Bonds").

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

The District

The Palo Verde Community College District (the "District") serves an area of about 7,027 square miles in the eastern portions of both Riverside County (the "County") and San Bernardino County (together with the County, the "Counties"). The District includes the Cities of Blythe and Needles, and adjacent unincorporated areas of the Counties. The District was established in 1973 and currently operates two campuses. The main campus, Palo Verde College, was founded in 1947 and is located on a 200-acre site in the City of Blythe. The Palo Verde College Needles Center is located approximately 100 miles north of the main campus in the City of Needles. Palo Verde College is fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. For fiscal year 2015-16, the District has projected a full-time equivalent students ("FTES") count of _____, and property in the District has an assessed valuation of $_____.

The governing board of the District is the Board of Trustees (the "Board"). The Board includes seven voting members elected by the voters of the District. The trustees serve four-year terms. Elections for positions to the Board are held every two years alternating between three and four available positions. The management and policies of the District are administered by the Superintendent/President. The Superintendent/President is appointed by the Board. Dr. Donald G. Wallace is currently serving as the District's Superintendent/President.

For more information regarding the District generally, see "PALO VERDE COMMUNITY COLLEGE DISTRICT," and for information regarding the District's assessed valuation, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

* Preliminary, subject to change.

The Improvement District

The School Facilities Improvement District No. 2004-1 of the District (the "Improvement District") is located in the northern portion of the District, 18 miles east of the Mojave National Preserve, wholly within San Bernardino County, and includes the City of Needles, California. The Improvement District is coterminous with the boundaries of the Needles Unified School District which encompasses approximately 6,000 square miles, representing about 85% of the territory of the District but only about 30% of the District's population. The Improvement District has a 2015-16 assessed valuation of $_____. For more information regarding the Improvement District's assessed valuation, see "TAX BASE FOR REPAYMENT OF BONDS."

Purpose of the Bonds

New Money Bonds. The New Money Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, (ii) prepay a portion of the District's Certificates of Participation (2008 Conversion of 2007 Auction Rate Certificates) (the "2008 Certificates") and (iii) pay the costs of issuing the New Money Bonds. See "THE BONDS – Application and Investment of Bond Proceeds – New Money Bonds," and "ESTIMATED SOURCES AND USES OF FUNDS – New Money Bonds" herein.

The 2008 Certificates to be prepaid with proceeds of the New Money Bonds are referred to herein as the "Refunded Certificates." The 2008 Certificates were issued to (i) finance the conversion of the District's Auction Rate Certificates of Participation (2007 Capital Improvements Project), (ii) provide funds relating to the acquisition and development of a new Fine and Performing Arts Complex, (iii) fund capitalized interest, (iv) fund the reserve requirement, and (v) pay the costs incurred in connection with the execution, delivery and sale of the Certificates.

Refunding Bonds. The Refunding Bonds are being issued by the District to (i) refund the District's outstanding Bonds of the School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District, Election of 2005, Series 2005 (Bank Qualified) (the "2005 Bonds") and Bonds of the School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District, Election of 2005, Series 2006 (Bank Qualified) (the "2006 Bonds" and together with the 2005 Bonds, the "Prior Bonds"), and (ii) pay the costs of issuing the Refunding Bonds. See "THE BONDS – Application and Investment of Bond Proceeds – Refunding Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS – Refunding Bonds" herein.

The Prior Bonds to be refunded with proceeds of the Refunding Bonds are referred to herein as the "Refunded Bonds." The 2005 Bonds were issued to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuing the 2005 Bonds. The 2006 Bonds were issued to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuing the 2006 Bonds.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the Board and the County Board (as defined herein). See "THE BONDS – Authority for Issuance" herein.

Security and Sources of Payment for the Bonds

New Money Bonds. The New Money Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes on all property subject to taxation within the District. The

Boards of Supervisors of the Counties are empowered and obligated to annually levy *ad valorem* property taxes on all such property, without limitation as to rate or amount, for the payment of principal of and interest on the New Money Bonds when due (except for certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment – New Money Bonds."

Refunding Bonds. The Refunding Bonds are general obligations of the District payable solely from *ad valorem* property taxes on all property subject to taxation within the boundaries of the Improvement District. The Board of Supervisors of San Bernardino County is empowered and obligated to annually levy *ad valorem* property taxes on all such property, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds when due. See "THE BONDS – Security and Sources of Payment – Refunding Bonds."

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons, and mature on August 1 in the years indicated on the inside front cover pages hereof. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "BOOK-ENTRY ONLY SYSTEM" herein. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions (described herein).

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS," as well as in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to their respective stated maturity dates as described in "THE BONDS – Redemption" herein.*

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds (the "Date of Delivery"), payable semiannually on each February 1 and August 1, commencing on August 1, 2016. Principal on the Bonds is payable in the amounts and years as set forth on the inside front cover pages hereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Bond Insurance. The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. See "THE BONDS – Bond Insurance."

* Preliminary, subject to change.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel") based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2016.*

Bondowners' Risks

The New Money Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all property subject to taxation within the District. The Refunding Bonds are general obligations of the District payable solely from *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all property subject to taxation within the Improvement District. For more complete information regarding the taxation of property within the District and the Improvement District, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in "LEGAL MATTERS – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "intend," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS,

* Preliminary, subject to change.

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel and Disclosure Counsel to the District, will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter by KNN Public Finance, a Division of Zions Public Finance, Inc., Oakland, California. _____, _____, _____, will act as Verification Agent with respect to the Refunded Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from Palo Verde Community College District, One College Drive, Blythe, CA 92225, telephone: (760) 921-5500. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

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

Terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolutions (as defined herein).

THE BONDS

Authority for Issuance

The New Money Bonds. The New Money Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board on January 19, 2016 (the "New Money Bonds District Resolution") and the County Board of Supervisors (the "County Board") on February 2, 2016 (the "New Money Bonds County Resolution," and together with the New Money Bonds District Resolution, the "New Money Bonds Resolutions").

The District received authorization at an election held on November 4, 2014, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue not-to-exceed $12,500,000 of general obligation bonds (the "2014 Authorization"). The New Money Bonds are the first and only issuance of bonds pursuant to the 2014 Authorization.

The Refunding Bonds. The Refunding Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board on January 19, 2016 (the "Refunding Bonds Resolution," and together with the New Money Bonds Resolutions, the "Resolutions").

Security and Sources of Payment

The New Money Bonds. The New Money Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes on all property subject to taxation within the District. The Boards of Supervisors of the Counties are empowered and obligated to annually levy *ad valorem* property taxes on all such property, without limitation as to rate or amount, for the payment of principal of and interest on the New Money Bonds when due (except for certain personal property which is taxable at limited rates).

The Refunding Bonds. The Refunding Bonds are general obligations of the District payable solely from *ad valorem* property taxes on all property subject to taxation within the boundaries of the Improvement District. The Board of Supervisors of San Bernardino County is empowered and obligated to annually levy *ad valorem* property taxes on all such property, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds when due.

General. Senate Bill 222 (Stats 2015, Chapter 78) ("SB 222") amended Section 15251 of the Education Code and added Section 53515 to the Government Code. Pursuant to Section 53515, general obligation bonds payable as to principal and interest from the proceeds of *ad valorem* property taxes will be secured by a statutory lien on all revenues received pursuant to the levy and collection of such *ad valorem* property taxes. The lien will automatically attach, without further action or authorization by the governing board of the local agency, and will be valid and binding from the time such bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the local agency, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. SB 222 went into effect on January 1, 2016. As such, the Bonds are secured by a statutory lien on all revenues received from the levy of *ad valorem* property taxes for the payment thereof, as described above.

Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes,

when collected, will be placed by the County in the respective Debt Service Funds (as defined herein), which are segregated and maintained by the County and which are designated for the payment of the principal of and interest on the related series of Bonds when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged amounts on deposit in each Debt Service Fund to the payment of the respective series of Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds, and although the County will maintain the Debt Service Funds, the Bonds are not a debt of either of the Counties.

The moneys in each Debt Service Fund, to the extent necessary to pay the principal of and interest on the related series of Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* property taxes levied by the Counties to repay the New Money Bonds and by San Bernardino County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District for the New Money Bonds, or in the Improvement District for the Refunding Bonds, and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service due on the Bonds and the assessed valuation of taxable property in the District or the Improvement District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood or toxic contamination, could cause a reduction in the assessed valuation of taxable property within the District or the Improvement District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's and the Improvement District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR PAYMENT OF BONDS" herein.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2016 (each, a "Bond Payment Date"). Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2016, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the inside front cover pages hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond

registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day. Such interest is to be paid by check or draft mailed on such Bond Payment Date to such registered Owner at his or her address as it appears on such registration books or at such address as the registered Owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered Owner of at least $1,000,000 of such outstanding Bonds who will have requested in writing such method of payment of interest on such Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Application and Investment of Bond Proceeds

New Money Bonds. The New Money Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, (ii) prepay the Refunded Certificates, and (iii) pay the costs of issuing the New Money Bonds.

Information regarding specific maturities of the Refunded Certificates is shown below, along with a description of the 2008 Certificates which will remain outstanding following the defeasance of the Refunded Certificates.

REFUNDED CERTIFICATES*
Palo Verde Community College
Certificates of Participation
(2008 Conversion of 2007 Auction Rate Certificates)

Maturity (January 1)	Initial Principal Amount	Rate	Principal Amount to be Refunded	Optional Prepayment Date	Optional Redemption Price (% of Par Amount)

UNREFUNDED CERTIFICATES*
Palo Verde Community College
Certificates of Participation
(2008 Conversion of 2007 Auction Rate Certificates)

Maturity (January 1)	Initial Principal Amount	Rate

* Preliminary, subject to change.

The net proceeds from the sale of New Money Bonds necessary to prepay the Refunded Certificates, will be paid to U.S. Bank Association, acting as the escrow agent for the Refunded Certificates (the "Escrow Agent"), to the credit of an escrow fund (the "Refunded Certificates Escrow Fund") created pursuant to an escrow agreement (the "Refunded Certificates Escrow Agreement") by and between the District and the Escrow Agent. Amounts deposited in the Refunded Certificates Escrow Fund will be sufficient to pay the principal of and interest with respect to the Refunded Certificates, as the same shall become due and payable.

The sufficiency of the amounts on deposit in the Refunded Certificates Escrow Fund, together with realizable interest and earnings thereon, to pay the Refunded Certificates as the same shall become due and payable, will be verified by the Verification Agent. As a result of the deposit and application of funds so provided in the Refunded Certificates Escrow Agreement, and assuming the accuracy of the Underwriter's and Verification Agent's computations, the Refunded Certificates will be defeased and the obligation of the District to make payments of principal thereof and interest thereon will terminate.

The remaining net proceeds of the sale of the New Money Bonds will be deposited into the fund held by the County and designated as the "Palo Verde Community College District Election of 2014 General Obligation Bonds, Series A Building Fund" (the "Building Fund") and will be applied only for the purposes approved by the voters of the District pursuant to the 2014 Authorization. Any interest earnings on moneys held in the Building Fund will be retained therein. Any excess proceeds of the New Money Bonds not needed for authorized purposes for which the New Money Bonds are being issued will be transferred to the New Money Debt Service Fund (as defined below) and applied to the payment of principal of and interest on the New Money Bonds. The County will have no responsibility for assuring the proper use of the proceeds of the New Money Bonds.

Any premium or accrued interest received by the District from the sale of the New Money Bonds will be kept separate and apart in the fund designated as the "Palo Verde Community College District Election of 2014 General Obligation Bonds, Series A Debt Service Fund" (the "New Money Debt Service Fund"), which fund is held by the County for the payment of principal of and interest on the New Money Bonds. Any interest earnings on moneys held in the New Money Debt Service Fund will be retained therein. If, after all of the New Money Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the New Money Debt Service Fund or otherwise held in trust for the payment of the redemption price of the New Money Bonds, any such excess amounts will be transferred to the general fund of the District as provided and permitted by law.

Refunding Bonds. The Refunding Bonds are being issued by the District to (i) refund the Refunded Bonds and (ii) pay the costs of issuing the Refunding Bonds. Information regarding specific maturities of the Refunded Bonds is shown below.

REFUNDED BONDS*
Bonds of the School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District,
Election of 2005, Series 2005
(Bank Qualified)

Maturity (August 1)	Initial Principal Amount	Rate	Principal Amount to be Refunded	Optional Redemption Date	Optional Redemption Price (% of Par Amount)
2025	$890,000	6.000%	$890,000		100%
2030	1,190,000	6.000	1,190,000		100

Bonds of the School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District,
Election of 2005, Series 2006
(Bank Qualified)

Maturity (August 1)	Initial Principal Amount	Rate	Principal Amount to be Refunded	Optional Redemption Date	Optional Redemption Price (% of Par Amount)
2019	$545,000	5.500%	$545,000	August 1, 2016	100%
2021	435,000	4.500	435,000	August 1, 2016	100
2023	500,000	4.500	500,000	August 1, 2016	100

The net proceeds from the sale of the Refunding Bonds will be paid to the Escrow Agent, acting as the escrow agent for the Refunded Bonds, to the credit of the "Palo Verde Community College District 2016 General Obligation Refunding Bonds Escrow Fund" (the "Refunded Bonds Escrow Fund"). Pursuant to an escrow agreement (the "Refunded Bonds Escrow Agreement") by and between the District and the Escrow Agent, an amount deposited in the Refunded Bonds Escrow Fund will be used to purchase certain Federal Securities, as defined in the Refunding Bonds Resolution, the principal of and interest on which will be sufficient, together with any monies deposited in the Refunded Bonds Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal amount of the Refunded Bonds on the first optional redemption date therefor, as well as the interest due on the Refunded Bonds on and before such date.

The sufficiency of the amounts on deposit in the Refunded Bonds Escrow Fund, together with realizable interest and earnings thereon, to redeem the Refunded Bonds as described above will be verified by the Verification Agent. As a result of the deposit and application of funds so provided in the Refunded Bonds Escrow Agreement, and assuming the accuracy of the Underwriter's and Verification Agent's computations, the Refunded Bonds will be defeased and the obligation of San Bernardino County to levy *ad valorem* property taxes for payment of the Refunded Bonds will be terminated.

Any excess proceeds of the Refunding Bonds not needed for the authorized purposes for which the Refunding Bonds are being issued will be transferred to the fund held by the County and designated as the "Palo Verde Community College District 2016 General Obligation Refunding Bonds Debt Service Fund" (the "Refunding Debt Service Fund") and applied to the payment of principal of and interest on the Refunding Bonds. If, after payment in full of the Refunding Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District as provided and permitted by law.

* Preliminary, subject to change.

Investment of Funds. Moneys in the Debt Service Funds and the Building Fund are expected to be invested through the County's Pooled Investment Fund. For more information, see "APPENDIX E - RIVERSIDE COUNTY POOLED INVESTMENT FUND" attached hereto.

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

	New Money Bonds		Refunding Bonds		
Year Ending August 1	Annual Principal Payment	Annual Interest Payment[1]	Annual Principal Payment	Annual Interest Payment[1]	Total Annual Debt Service Payment

[1] Interest payments on the New Money Bonds will be made semiannually on February 1 and August 1 of each year, commencing on August 1, 2016.

See "PALO VERDE COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds" herein for a schedule of the total annual debt service requirements for all of the District's outstanding general obligation bonds.

Redemption

Optional Redemption.[*]

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

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

Mandatory Sinking Fund Redemption.[*]

New Money Bonds. The New Money Term Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such New Money Term Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

[*] Preliminary, subject to change.

Redemption Date (August 1)	Principal Amount

In the event that a portion of the New Money Term Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such New Money Term Bonds optionally redeemed.

Refunding Bonds. The Refunding Term Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Refunding Term Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount

In the event that a portion of the Refunding Term Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Refunding Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 20 nor more than 45 days prior to the redemption date (i) to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and

Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

The actual receipt by an Owner or by any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

The notice or notices required for redemption will be given by the Paying Agent or its designee. A certificate by the Paying Agent that notice of call and redemption has been given to Owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption.

Rescission of Notice of Redemption. With respect to any notice of redemption of Bonds described above, unless upon the giving of such notice such Bonds will be deemed to have been defeased, such notice will state that such redemption is conditional upon the receipt by the an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, the Bonds (or portions thereof) to be redeemed, and that if such moneys are not so received said notice shall be of no force and effect, no portion of the Bonds shall be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received. In addition, the District will have the right to rescind any notice of redemption, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such notice in the same manner as such notice was originally provided.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose in the applicable Debt Service Fund, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price out of the applicable Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

Effect of Notice of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as

described in "—Defeasance" herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held by the Paying Agent (or an independent escrow agent selected by the District) so as to be available therefor on such redemption date, and if a notice of redemption thereof shall have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

Bond Insurance

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

Book-Entry Only System

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from

over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by reference.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its

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

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

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

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

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

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

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the respective Resolutions.

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

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

Any Bond may be exchanged for Bonds of like series, tenor, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for

exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds of each series may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the applicable Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, (including all principal, interest and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal, interest and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds of the applicable series shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds of such series not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either by Moody's Investors Service ("Moody's") or

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's").

ESTIMATED SOURCES AND USES OF FUNDS

New Money Bonds. The proceeds of the New Money Bonds are expected to be applied as follows:

Sources of Funds
Principal Amount
Net Original Issue Premium
Total Sources

Uses of Funds
New Money Building Fund
New Money Debt Service Fund
Refunded Certificates Escrow Fund
Underwriter's Discount
Costs of Issuance[1]
Total Uses

[1] Reflects all costs of issuance of the New Money Bonds, including but not limited to legal and financial advisory fees, fees of the Escrow Agent and Verification Agent, printing costs, the costs and fees of the Paying Agent, bond insurance premium (if any) and other costs of issuance of the New Money Bonds.

Refunding Bonds. The proceeds of the Refunding Bonds are expected to be applied as follows:

Sources of Funds
Principal Amount
Net Original Issue Premium
Total Sources

Uses of Funds
Refunded Bonds Escrow Fund
Underwriter's Discount
Costs of Issuance[1]
Total Uses

[1] Reflects all costs of issuance of the Refunding Bonds, including but not limited to legal and financial advisory fees, fees of the Escrow Agent and Verification Agent, printing costs, the costs and fees of the Paying Agent, bond insurance premium (if any) and other costs of issuance of the Refunding Bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District and the Improvement District.* ***The New Money Bonds are payable solely from* ad valorem *taxes levied and collected by the Counties on taxable property in the District. The Refunding Bonds are payable solely from* ad valorem *property taxes levied and collected by San Bernardino County on taxable property within the boundaries of the Improvement District.*** *The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same tax rolls as county, city and special district property taxes. Assessed valuations are the same for the Improvement District, District and the Counties' taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus a $10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of a county. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also " – Tax Levies, Collections and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

This section presents information about the District's assessed valuation followed by information about the Improvement District's assessed valuation.

District Assessed Valuations

The assessed valuation of property in the District is established by the respective County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the State Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District has a total assessed valuation for fiscal year 2015-16 of $_____. The following table represents the 5-year history of assessed valuations in the District.

ASSESSED VALUATIONS
Palo Verde Community College District
Fiscal Years 2011-12 through 2015-16

	Local Secured	Utility	Unsecured	Total
2011-12				
2012-13				
2013-14				
2014-15				
2015-16				

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

District Assessed Valuation and Parcels by Land Use

The following table shows the assessed valuation and parcels by land use in the District for fiscal year 2015-16.

ASSESSED VALUATION AND PARCELS BY LAND USE
Palo Verde Community College District
Fiscal Year 2015-16

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(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

District Assessed Valuation by Jurisdiction

The following shows the District's fiscal year 2015-16 assessed valuation by jurisdiction.

ASSESSED VALUATION AND PARCELS BY JURISDICTION(1)
Palo Verde Community College District
Fiscal Year 2015-16

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(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

District Assessed Valuation of Single Family Homes

The following table displays the fiscal year 2015-16 assessed valuations of single family residential parcels within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Palo Verde Community College District
Fiscal Year 2015-16

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

District Tax Levies, Collections and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected by the County from property in the District from fiscal years 2010-11 through 2014-15.

SECURED TAX CHARGES AND DELINQUENCIES
Palo Verde Community College District
Fiscal Years 2010-11 through 2014-15

	Secured Tax Charge[1]	Amt. Del. June 30	% Del. June 30
2010-11			
2011-12			
2012-13			
2013-14			
2014-15			

(1) District's general obligation bond debt service levy. There was no debt service for years prior to 2008-09. Fiscal year 2014-15 is preliminary.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of each of the Counties has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each of the Counties apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the respective county acts as the tax-levying or tax-collecting agency.

The Teeter Plan of each of the Counties is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for such county's treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the principal and Accreted Value of and interest on the Bonds will be subject to the Teeter Plan of each of the Counties, beginning in the first year of such levy. The District will receive 100% of the ad valorem property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by each of the respective Counties.

The Teeter Plan of each of the Counties is to remain in effect unless the Board of Supervisors of such county orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the Board of Supervisors of such county receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in such county. In the event the Board of Supervisors of either of the Counties is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected in such county would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

District Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2015-16 secured assessed valuations.

20 LARGEST LOCAL SECURED TAXPAYERS
Palo Verde Community College District
Fiscal Year 2015-16

(1) 2015-16 Local Secured Assessed Valuation: $_____.
Source: California Municipal Statistics, Inc.

District Tax Rates

Representative tax rate areas (a "TRA") located within the District are TRA _____ and TRA _____. The table below demonstrates the total *ad valorem* tax rates, as a percentage of assessed value, levied by all taxing entities in the respective tax rate areas during the five-year period from 2011-12 through 2015-16.

TYPICAL TAX RATES
(TRA _____ and TRA _____)
Palo Verde Community College District
Fiscal Years 2011-12 through 2015-16

(1) 2015-16 Assessed Valuation of TRA _____ is $_____ which is ____% of the district's total assessed valuation.
(1) 2015-16 Assessed Valuation of TRA _____ is $_____ which is ____% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

District Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "District Debt Report") prepared by California Municipal Statistics, Inc. and effective as of _____, 2016, for debt issued as of _____, 2016. The District Debt Report is included for general information purposes only. The District has not reviewed the District Debt Report for completeness or accuracy and makes no representation in connection therewith.

The District Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Palo Verde Community College District

_____
Source: California Municipal Statistics, Inc.

Improvement District Assessed Valuations

The assessed valuation of property in the Improvement District is established by the San Bernardino County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the State Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the Improvement District has a total assessed valuation for fiscal year 2015-16 of $_____. The following table represents the 5-year history of assessed valuations in the Improvement District.

ASSESSED VALUATIONS
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Years 2011-12 through 2015-16

	Local Secured	Utility	Unsecured	Total
2011-12				
2012-13				
2013-14				
2014-15				
2015-16				

_____
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the Improvement District. Any such reduction would result in a corresponding increase in the annual tax rate levied by San Bernardino County to pay the debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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

The District does not have information regarding pending appeals of assessed valuation of property within the Improvement District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the Improvement District.

Improvement District Assessed Valuation and Parcels by Land Use

The following table shows the assessed valuation and parcels by land use in the Improvement District for fiscal year 2015-16.

ASSESSED VALUATION AND PARCELS BY LAND USE
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Year 2015-16

---

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Improvement District Assessed Valuation by Jurisdiction

The following shows the Improvement District's fiscal year 2015-16 assessed valuation by jurisdiction.

ASSESSED VALUATION AND PARCELS BY JURISDICTION(1)
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Year 2015-16

---

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Improvement District Assessed Valuation of Single Family Homes

The following table displays the fiscal year 2015-16 assessed valuations of single family residential parcels within the Improvement District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Year 2015-16

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

Improvement District Tax Levies, Collections and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected by San Bernardino County from property in the Improvement District from fiscal years 2010-11 through 2014-15.

SECURED TAX CHARGES AND DELINQUENCIES
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Years 2010-11 through 2014-15

	Secured Tax Charge[1]	Amt. Del. June 30	% Del. June 30
2010-11			
2011-12			
2012-13			
2013-14			
2014-15			

(1) District's general obligation bond debt service levy. There was no debt service for years prior to 2008-09. Fiscal year 2014-15 is preliminary.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of San Bernardino County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which San Bernardino County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

If the Teeter Plan remains in effect during the term of the Refunding Bonds, the District will receive 100% of the *ad valorem* property tax levied in San Bernardino County to pay the Refunding Bonds irrespective of actual delinquencies in the collection of the tax by San Bernardino County. The District can give no assurance that the Teeter Plan will remain in effect in its present form, or in any form, during the term of the Refunding Bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors of San Bernardino County orders its discontinuance or unless, prior to the commencement of any fiscal year of San Bernardino County (which commences on July 1), such board receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in San Bernardino County, in which event such board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of San Bernardino County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the Board of Supervisors of San Bernardino County is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

Improvement District Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the Improvement District in terms of their fiscal year 2015-16 secured assessed valuations.

20 LARGEST LOCAL SECURED TAXPAYERS
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Year 2015-16

_____
(1) 2015-16 Local Secured Assessed Valuation: $_____.
Source: California Municipal Statistics, Inc.

Improvement District Tax Rates

A representative tax rate area (a "TRA") located within the Improvement District is TRA _____. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in the tax rate area during the five-year period from 2011-12 through 2015-16.

TYPICAL TAX RATES
(TRA _____)
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District
Fiscal Years 2011-12 through 2015-16

_____
(1) 2015-16 Assessed Valuation of TRA _____ is $_____ which is ____% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

Improvement District Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Improvement District Debt Report") prepared by California Municipal Statistics, Inc. and effective as of _____, 2016, for debt issued as of _____, 2016. The Improvement District Debt Report is included for general information purposes only. The District has not reviewed the Improvement District Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Improvement District Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Improvement District in

whole or in part. Such long-term obligations generally are not payable from revenues of the Improvement District (except as indicated) nor are they necessarily obligations secured by land within the Improvement District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the New Money Bonds are payable solely from the proceeds of an ad valorem *tax levied by the Counties for the payment thereof. The principal of and interest on the Refunding Bonds are payable solely from the proceeds of an* ad valorem *tax levied by San Bernardino County for the payment thereof. (See "THE BONDS – Security and Sources of Payment" herein). Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and for the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties on behalf of the District to levy taxes for payment of the Bonds.*

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor of each county. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 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," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to

damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Unitary Property

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

So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula

for community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues" and "PALO VERDE COMMUNITY COLLEGE DISTRICT" herein.

Article XIIIB of the California Constitution

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

(a) "change in the cost of living" with respect to K-14 school districts (collectively, "K-14 school districts") to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to K-14 school districts means the percentage change in the average daily attendance of such K-14 district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions

affecting the ability of local agencies, including K-14 districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the

"Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of the State General Fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

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

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

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

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such district's minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement

that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for school districts and community college districts, as well as universities, prisons and health and social services

programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Dissolution of Redevelopment Agencies" herein.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing on January 1, 2012 and ending in the taxable year commencing on December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint files and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as a an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the Minimum Funding Guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the Minimum Funding Guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the Minimum Funding Guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated Minimum Funding Guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated Minimum Funding Guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 39, 22, 26 and 30 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community colleges and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the Counties in an amount sufficient for the payment thereof.*

Major Revenues

General. California community college districts (other than Basic Aid Districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which generally is less than 3 percent), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

Senate Bill 361 ("SB 361"), established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specified that, commencing with the 2006-07 fiscal year, the minimum funding per FTES would be: (a) not less than $4,367 per credit FTES; (b) at a uniform rate of $2,626 per noncredit FTES; and (c) set at $3,092 per FTES for a new instructional category of "career development and college preparation" ("CDCP") enhanced non-credit rate. Each such minimum funding rate is subject to cost of living adjustments (a "COLA"), if any, funded through the State budgeting legislation in each fiscal year. Pursuant to SB 361, the State Chancellor developed criteria for one-time grants for districts that would have received more funding under the prior system or a then-proposed rural college access grant, than under the current system.

FTES. The following table shows the District's FTES figures for the last 5 fiscal years, along with the budgeted FTES for fiscal year 2015-16:

FULL TIME EQUIVALENT STUDENTS[1]
Palo Verde Community College District
Fiscal Years 2010-11 through 2015-16

Year	Funded FTES	Unfunded FTES[2]	Total FTES
2010-11			
2011-12			
2012-13			
2013-14			
2014-15			
2015-16[3]			

(1) One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District. Reflects resident FTES counts only. Non-resident FTES are generally excluded from State funding formula calculations.

(2) In each fiscal year, the State budget will establish an enrollment cap on the maximum number of FTES, known as the "funded" FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district's enrollment cap is based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered "unfunded" FTES.

(3) Budgeted.

Source: Palo Verde Community College District.

Local revenues are first used to satisfy District expenditures. The major local revenue source is local property taxes that are collected from within District boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the District. Property taxes and student enrollment fees are applied towards fulfilling the District's financial need. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the District. The sum of the property taxes, student enrollment fees, and State aid generally comprise the District's revenue limit.

"Basic Aid" community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program based model. Basic aid districts do not receive any general apportionment funding from the State (though they are currently entitled to the minimum amount of funding derived from taxes levied pursuant to Proposition 30, in an amount equal to $100 per unit of FTES). See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 30" herein. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively determined annual COLA and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not a Basic Aid district**.**

A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

Stability Funding. Under California Code Regulations Section 58776, during the initial year of a decline in FTES, community college districts are eligible to receive "stability" funding, in an amount equal to the revenue loss associated with a decline in FTES for that year. If FTES are not restored to the pre-decline level within a period of two years following the initial decline, a community college district that has received stability funding is subject to a permanent reduction of its funded FTES and an attendant decline in operating revenue. See " – FTES" above.

Tax Shifts and Triple Flip

Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, required the shifting of property taxes between redevelopment agencies and schools, including community college districts. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required Education Revenue Augmentation Fund ("ERAF") shift to $135 million. Legislation commonly referred to as the "Triple Flip" was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. See "- State Assistance – 2015-16 Budget" herein.

Budget Procedure

On or before September 15, the Board of Trustees of a community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial

and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "PALO VERDE COMMUNITY COLLEGE DISTRICT– General Fund Budgeting" herein for more information regarding the District's recent budgets.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding test ("Test 3") to calculate the annual funding guarantee. This third calculation is operative in years in which State general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth (FTES) and per-capita personal income COLA.

Test 3 established pursuant to Proposition 111, provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance (also known as a "maintenance factor") equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees

there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, none of the District, the Financial Advisor or the Underwriter guaranty the accuracy or completeness of this information and neither the District nor the Underwriter have independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The New Money Bonds are payable solely from the proceeds of an ad valorem *tax required to be levied by the Counties in an amount sufficient for the payment thereof. The Refunding Bonds are payable solely from the proceeds of an* ad valorem *tax required to be levied by San Bernardino County in an amount sufficient for the payment thereof.*

2015-16 Budget. On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 Budget"). The following information is drawn from the State Department of Finance's summary of the 2015-16 Budget, as well as a summary prepared by the Legislative Analyst's Office (the "LAO").

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of $111.3 billion, and total State general fund expenditures of $114.5 billion. The 2015-16 Budget projects that the State will end the 2014-15 fiscal year with a general fund ending balance of $2.4 billion and total reserves of $3 billion (including $1.5 billion in the traditional general reserve and $1.6 billion in the BSA). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of $115 billion and total expenditures of $115.4 billion, leaving the State with a year-end general fund balance of approximately $2 billion. The 2015-16 Budget projects total year-end reserves of $4.6 billion, including $1.1 billion in the traditional general fund reserve and $3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum guarantee is revised upward to $58.9 billion, an increase of $612 million over the estimate included in the 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to $66.3 billion, an increase of $5.4 billion over the estimate included in the 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at $68.4 billion, including $49.4 billion of support from the State general fund. This represents an year-to-year increase of $2.1 billion over the revised level for fiscal year 2014-15. For community college districts, the 2015-16 Budget provides total Proposition 98 funding of $7.9 billion, including $5.3 billion from the State general fund. Under the 2015-16 Budget, per-FTES spending in fiscal year 2015-16 is $6,379, an increase of $626 (or 11%) from the prior year.

Significant features of the 2015-16 Budget related to community college education include the following:

- *Base Allocations* – An increase of $156.5 million in Proposition 98 funding for general purpose apportionments to fund 3% enrollment growth. The LAO estimates that this equates to an additional 30,000 FTES Statewide. Funds will be distributed in accordance with a new growth formula mandated by the State budget for fiscal year 2014-15 that gives first priority to districts identified as having the greatest unmet need in adequately serving local educational needs. The 2015-16 Budget also provides $61 million to fund a 1.02% COLA, and $266.7 million to increase base allocations in recognition of increased operating expenses including in the areas of facilities, retirement benefits and professional development.
- *K-14 Deferrals* – $992 million to eliminate all outstanding apportionment deferrals, including $94 million for community college districts, consistent with a revenue-based trigger mechanism included in the 2014-15 State budget.
- *Non-Credit FTES* – $49.5 million to reflect an increase in the funding rate for CDCP non-credit courses approved by the 2014-15 State budget, to equal the rate provided for similar credit courses.
- *Maintenance Factor/Settle Up Payments* – The 2015-16 Budget reduces the outstanding Proposition 98 maintenance factor to $772 million. The maintenance factor is created in years where the State provides less growth in K-14 funding than growth in the State economy by implementing "Test 3" or suspends the guarantee entirely. The 2015-16 Budget also provides $256 million in "settle up" payments to repay obligations created in years where revenue projections understate the minimum funding guarantee.
- *Student Success* - $185 million to improve and expand student success and support programs, including $100 million for orientation, assessment, placement, academic counseling and other education planning services. The balance is allocated to close access and achievement gaps, as

identified by local student equity plans and to provide additional support to current and former foster youth students.

- *Full-Time Faculty* – $62.3 million in Proposition 98 funding to increase the number of full-time faculty within each district. Funding will be allocated based on full-time equivalent enrollment, but community college districts with relatively low proportions of full-time faculty will be required to increase the amount of such faculty more than districts with higher proportions. It is expected that this proposal will create approximately 670 additional full-time faculty positions Statewide.
- *Basic Skills* – $10 million of Proposition 98 funding to support a pilot program designed to incentivize high schools, community college districts and the California State University system to coordinate the delivery of basic skills instruction to incoming CSU students. The 2015-16 Budget also provides $60 million to assist community college districts to improve the delivery of basic skills instruction by adopting or expanding the use of evidenced-based models of placement, remediation and student support for underprepared students.
- *Apprenticeship Programs* – $29.1 million to support the expansion of apprenticeship programs. This includes $14.1 million to grow such existing programs and $15 million to create innovative apprenticeship projects that focus on new and emerging industries with unmet labor demands.
- *Career Technical Education Pathways Program* – $48 million in one-time Proposition 98 funding to support the Career Pathways Trust Program, which provides grant awards to community college districts to develop, enhance and expand career technical education programs that build upon existing regional capacity to meet labor demands.
- *Statewide Performance Strategies* – $15 million in Proposition 98 funding to implement strategies to improve college performance and student success and outcomes. Of this amount, $3 million will provide local technical assistance to support implementation of effective practices across all districts. The additional $12 million is intended to assist in the development and dissemination of effective professional, administrative and educational practices.
- *Cal Grant B Access Awards* – $39 million in Proposition 98 funding to augment the Cal Grant B Access Awards, to assist students taking more than 12 units with living costs. The 2015-16 Budget also provides $3 million to assist districts establish administrative procedures to distribute these additional funds.
- *Deferred Maintenance and Instructional Equipment* – $148 million in one-time Proposition 98 funding that community college districts can use to fund deferred facility maintenance, instructional equipment, or specified water conservation projects. Districts will not be required to provide matching funds for deferred maintenance.
- *Mandates* – $621 million in Proposition 98 funding to reduce a backlog of unpaid reimbursement claims to community college districts for the cost of State-mandated programs.
- *Categorical Programs* – $2.5 million in Proposition 98 funding to support a 1.02% COLA to certain categorical programs.
- *Adult Education* – $500 million to fund the Adult Education Block Grant program. Prior budgetary legislation mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to coordinate the delivery of adult education services. Up to $375 million is available to be distributed directly to K-12 school districts and county offices of education to match amounts that have been spent on adult education within the past two years. The balance will be apportioned directly to consortia for distribution to their member agencies. Beginning in fiscal

year 2016-17, all funds for adult education will be apportioned directly to consortia. The 2015-16 Budget also provides $25 million in one-time Proposition 98 funding to assist consortia develop or update data systems necessary to evaluate the effectiveness of their programs, as well as to fund State-level activities to develop consistent data policies and data collection procedures.

For additional information regarding the 2015-16 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund education. State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

PALO VERDE COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The New Money Bonds are payable solely from the revenues generated by an ad valorem *tax required to be levied by the Counties in an amount sufficient for the payment thereof. The Refunding Bonds are payable solely from the revenues generated by an* ad valorem *tax required to be levied by San Bernardino County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District serves an area of about 7,027 square miles in the eastern portions of both Riverside County and San Bernardino County. The District includes the Cities of Blythe and Needles, and adjacent unincorporated areas of the Counties. The District was established in 1973 and currently operates two campuses. The main campus, Palo Verde College, was founded in 1947 and is located on a 200-acre site in the City of Blythe in the County. The Palo Verde College Needles Center is located approximately 100 miles north of the main campus in the City of Needles in San Bernardino County. Palo Verde College is fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. For fiscal year 2015-16, the District has projected a full-time equivalent students ("FTES") count of _____, and property in the District has an assessed valuation of $_____.

Administration

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

Board Member	Office	Term Expires
George Thomas	President	December 20__
Ned Hyduke	Vice President	December 20__
Ermila Rodriguez	Clerk	December 20__
Ted Arneson	Trustee	December 20__
Ed Gonzales	Trustee	December 20__
Jerry Lewis	Trustee	December 20__
Suzanne Woods	Trustee	December 20__

The management and policies of the District are administered by a Superintendent/President appointed by the Board of Trustees who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Brief biographies of key personnel follow:

Dr. Donald G. Wallace, Superintendent/President. [To come]

Russi Egan, Chief Business Officer. [To come]

Full-Time Equivalent Students

The following table shows the District's FTES for the last five fiscal years, along with projected FTES for the current fiscal year:

FULL TIME EQUIVALENT STUDENTS[1]
Palo Verde Community College District
Fiscal Years 2010-11 through 2015-16

Year	Funded FTES	Unfunded FTES[2]	Total FTES
2010-11			
2011-12			
2012-13			
2013-14			
2014-15			
2015-16[3]			

(1) One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District. Reflects resident FTES counts only. Non-resident FTES are generally excluded from State funding formula calculations.

(2) In each fiscal year, the State budget will establish an enrollment cap on the maximum number of FTES, known as the "funded" FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district's enrollment cap is based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered "unfunded" FTES.

(3) Budgeted.

Source: Palo Verde Community College District.

Labor Relations

The District employs ___ full-time certificated and ___ part–time certificated professionals and ___ full-time classified employees and __ managerial employees. These employees, except management and some part-time employees, are represented by two bargaining units as noted below:

LABOR RELATIONS ORGANIZATIONS
Palo Verde Community College District

Labor Organization	Number of Employees Represented	Contract Expiration Date

Source: Palo Verde Community College District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District, the Financial Advisor or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing on July 1, 2014, the employee contribution rates will increase over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS was $_____ in fiscal year 2012-13, $_____ in fiscal year 2013-14 and $_____ in fiscal year 2014-15. The District has budgeted $_____ for fiscal year 2015-16.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over a three year period to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2015-16. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was $_____ in fiscal year 2012-13, $_____ in fiscal year 2013-14 and $_____ in fiscal year 2014-15. The District has budgeted $_____ for fiscal year 2015-16.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

STRS (Defined Benefit Program) and PERS (School Pool)
(Dollar Amounts in Millions) [1]
Fiscal Years 2010-11 through 2013-14

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2][3]	Value of Trust Assets (AVA)[4]	Unfunded Liability (AVA)[4]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[4]	Unfunded Liability (AVA)[4]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[5]	--[5]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Excludes assets allocated to the SBPA reserve.
(4) Reflects actuarial value of assets.
(5) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2014, the future revenue from contributions and appropriations for the STRS Defined Benefit Program is projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect to the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet

(currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's share of the net pension liabilities, pension expense and deferred inflow and outflow of resources for STRS and PERS follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
STRS				
PERS				
Total				

For more information, see Note __ to the fiscal year 2014-15 audited financial statements of the District, which are attached hereto as Appendix B.

Other Post-Employment Benefits

Benefits. The District administers a single-employer defined benefit healthcare plan (the "Plan"). The plan provides _____ years of postemployment healthcare, dental, and vision benefits (to eligible employees up to the age of __ (the "Post-Employment Benefits"). To be eligible to receive these Post-Employment Benefits, retirees must be age __ and have completed a minimum of __ years of continuous service to the District immediately prior to retirement. As of December 1, 2015, ___ employees were receiving Post-Employment Benefits and there were ___ active plan members.

The Plan provides for the District to contribute ___ percent of the cost of health insurance premiums for retirees. The District makes a monthly contribution toward medical coverage not to exceed $___ for single party coverage or $_____ for two-party coverage. Benefit provisions are established by the Board.

Funding Policy. The contribution requirements of the District are established by the District and the District's bargaining units with expenditures made on a pay-as-you-go basis. For fiscal year 2013-14, the District recognized expenditures of $219,362, all of which was used for current premiums. For fiscal year 2014-15, the District recognized expenditures of $_____, all of which was used for current premiums. For fiscal year 2015-16, the District currently projects its contribution to be $_____, to be used for current premiums.

Actuarial Valuation. The District has implemented Governmental Accounting Standards Board ("GASB") Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liability with respect to the Benefits. The most recent of these studies, dated as of _____, 201_, concluded that the District's unfunded actuarial accrued liability ("UAAL") with respect to the Post-Employment Benefits, as of an _____, 201_ valuation date, was $_____. The study also calculated the annual required contribution ("ARC") to be $_____. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the UAAL, in accordance with the Governmental Accounting Standards Board Statements Nos. 43 and 45. The ARC is expected to increase each year based on covered payroll.

Net Obligation. As of June 30, 2015, the District recognized a net long-term obligation (the "Net OPEB Liability") of $_____, based on its contributions towards the ARC during fiscal year 2014-15. See also "PALO VERDE COMMUNITY COLLEGE DISTRICT – District Debt – Long-Term Debt" herein and "APPENDIX B – THE DISTRICT'S 2014-15 AUDITED FINANCIAL STATEMENTS – Note _" attached hereto.

Insurance

The District is a member of five Joint Powers Authorities ("JPAs") for insurance purposes: the Community Colleges of Riverside County Self Insurance Program for Employees (CCRCSIPE), the Riverside Schools Insurance Authority (RSIA), the Riverside County Employer/Employee Partnership for Benefits Plan (REEP), the Schools Excess Liability Fund (SELF), and the Riverside Schools Risk Management Association (RSRMA). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. The JPAs are governed by a board consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

[CONFIRM] Based upon prior claims experience, the District believes that it has adequate insurance coverage. For more information see "APPENDIX B – THE DISTRICT'S 2014-15 AUDITED FINANCIAL STATEMENTS – Note __" attached hereto.

General Fund Budgeting

The table on the following page shows the District's general fund budgets for fiscal years 2012-13 through 2015-16, unaudited actuals for fiscal years 2012-13 through 2014-15, and projected totals for fiscal year 2015-16. For further information, see also "APPENDIX B –THE DISTRICT'S 2014-15 AUDITED FINANCIAL STATEMENTS" attached hereto.

GENERAL FUND BUDGETING AND RESULTS
Palo Verde Community College District
Fiscal Years 2012-13 through 2015-16

	Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16	
REVENUES:	Budget[1]	Unaudited Actual[1]	Budget[1]	Unaudited Actual[1]	Budget[1]	Unaudited Actual[1]	Budgeted[1]	Projected Totals[2]
Federal Revenues	$743,847	$543,250	$558,340	$228,652	$287,136	$257,453	$29,643	
State Revenues	12,135,393	9,070,822	11,571,774	12,725,696	12,608,903	13,247,523	16,537,995	
Local Revenues	1,245,893	2,401,357	2,196,007	1,935,915	1,497,901	2,252,352	1,745,029	
TOTAL REVENUES	14,125,133	12,015,429	14,326,121	14,890,263	14,393,940	15,757,328	18,312,667	
EXPENDITURES:								
Academic Salaries	4,304,511	4,252,664	4,178,159	4,392,481	4,782,896	5,152,938	5,210,689	
Classified Salaries	2,565,012	2,387,954	2,396,015	2,393,698	2,306,985	2,504,789	2,673,999	
Employee Benefits	2,949,311	2,686,552	2,985,756	2,815,920	2,988,374	2,852,542	3,558,736	
Supplies and Materials	313,068	242,546	241,718	192,716	272,119	309,245	444,903	
Other Operating Expenses and Services	2,587,035	2,470,917	2,541,822	2,523,806	2,659,033	3,403,073	3,257,628	
Capital Outlay	1,101,384	206,340	671,059	621,609	226,709	390,306	771,008	
TOTAL EXPENDITURES	13,820,321	12,246,973	13,014,529	12,940,230	13,236,116	14,612,893	15,916,963	
Excess of Revenues Over/ (Under) Expenditures (Uses)	304,812	(231,544)	1,311,592	1,950,033	1,157,824	1,144,435	2,395,704	
Other Financing Sources (Uses)	--	779,761	--	--	--	--	--	
Other Outgo	284,310	281,154	1,145,675	1,171,966	1,124,465	1,157,804	1,214,324	
Net Increase/(Decrease) in Fund Balance	20,502	267,063	165,917	778,067	33,359	(13,369)	1,181,380	
FUND BALANCE, JULY 1	1,102,030	1,102,030	1,369,093	1,369,093	2,147,353	2,147,353	2,133,984	
Prior Year's Adjustment	--	--	--	103	--	--	--	
FUND BALANCE, JUNE 30	$1,122,532	$1,369,093	$1,535,010	$2,147,353	$2,180,712	$2,133,984	$3,315,364	

(1) Budgeted and Unaudited figures from the District's Annual Financial and Budget Reports, Form CCFS-311, submitted to the State Chancellor's office. For audited results of the District's governmental funds, see "—Comparative Financial Statements" herein.
(2) Projected totals for fiscal year 2015-16 as of _____, 2016.
Source: Palo Verde Community College District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the State Education Code, is to be followed by all State community college districts. GASB has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District's financial statements present a comprehensive, entity-wide perspective of the District's assets, liabilities, and cash flows rather than the fund-group perspective previously required. The table on the following page displays the District's audited revenues, expenses and changes in net assets for fiscal years 2010-11 through 2014-15.

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STATEMENT OF TOTAL REVENUES AND EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES
Palo Verde Community College District
Fiscal Years 2010-11 through 2014-15

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
OPERATING REVENUES					
Tuition and fees	$1,230,642	$1,295,798	$1,175,195	$1,427,889	
Less: Scholarship discounts and allowances	(973,154)	(878,552)	(878,552)	(923,416)	
Net Tuition and fees	257,488	417,246	296,643	504,473	
Grant and contracts, noncapital:					
Federal	2,077,748	1,961,666	2,682,265	2,218,810	
State	1,655,733	1,220,677	1,277,749	1,867,176	
Local	470,257	15,850	984,039	267,891	
Auxiliary enterprise sales and charges	--	196,650	--	--	
TOTAL OPERATING REVENUES	4,461,226	3,812,089	5,240,696	4,858,350	
OPERATING EXPENSES					
Salaries	8,968,416	7,392,840	6,931,830	6,964,335	
Employee benefits	3,830,570	3,868,197	2,325,678	2,537,908	
Supplies, materials and other operating expenses and services	3,281,688	3,790,504	3,799,464	2,950,686	
Financial aid	1,773,552	1,752,054	2,384,502	2,262,481	
Utilities	558,128	381,844	278,385	269,121	
Depreciation	1,283,370	1,304,969	1,924,138	1,906,130	
TOTAL OPERATING EXPENSES	19,695,724	18,490,408	17,643,997	16,890,661	
OPERATING PROFIT (LOSS)	(15,234,498)	(14,678,319)	(12,403,301)	(12,032,311)	
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	10,690,537	10,823,046	8,573,629	10,660,198	
Local property taxes	1,605,480	1,499,801	1,518,895	1,548,984	
State taxes and other revenues	364,373	348,694	282,063	503,061	
Investment income	92,986	79,469	49,927	65,129	
Loss on capital asset disposal	--	--	--	(54,976)	
Interest expense	(1,990,353)	(1,970,237)	(1,972,381)	(1,944,795)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	10,763,023	10,780,773	8,452,133	10,777,601	
CAPITAL REVENUES					
State apportionments	7,670,099	2,404,183	1,373,099	--	
Grants and contracts	--	146,408	7,700	20,000	
TOTAL CAPITAL REVENUES	7,670,099	2,550,591	1,380,799	20,000	
INCREASE/(DECREASE) IN NET ASSETS	3,198,624	(1,346,955)	(2,570,369)	(1,234,710)	
NET ASSETS, BEGINNING OF YEAR	46,855,965	50,054,589	48,332,590	45,762,221	
Cumulative effect from change in accounting principle	--	--	--	--	
Prior period adjustment	--	(375,044)	--	--	
NET ASSETS, END OF YEAR	$50,054,589	$48,332,590	$45,762,221	$44,527,511	

Source: Palo Verde Community College District.

District Debt Structure

Short-Term Debt. [To Come]

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2015, is shown below:

SUMMARY OF LONG-TERM DEBT[(1)]
As of June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015

[(1)] From the District's Audited Financial Statements for fiscal year 2014-15.
Source: Palo Verde Community College District.

General Obligation Bonds. On June 7, 2005, the voters of the Improvement District approved the issuance of not-to-exceed $6,000,000 of general obligation bonds (the "2005 Authorization"). On October 19, 2005, the District issued its 2005 Bonds in the aggregate principal amount of $2,946,253.60 pursuant to the 2005 Authorization. On September 12, 2005, the District issued its 2006 Bonds in the aggregate principal amount of $3,053,625 pursuant to the 2005 Authorization.

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The following table displays the total annual debt service requirements of the District for all of the Improvement District's outstanding general obligation bonded debt:

GENERAL OBLIGATION BONDED INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS
School Facilities Improvement District No. 2004-1
of the Palo Verde Community College District

Year Ending (August)	2005 Bonds[1]	2006 Bonds[1]	The Refunding Bonds	Total Annual Debt Service
2016	$189,800.00	$233,250.00		
2017	194,800.00	242,050.00		
2018	204,800.00	242,700.00		
2019	209,800.00	247,800.00		
2020	219,700.00	252,075.00		
2021	223,700.00	257,625.00		
2022	232,100.00	262,500.00		
2023	239,600.00	271,700.00		
2024	246,200.00	315,000.00		
2025	256,900.00	315,000.00		
2026	266,400.00	320,000.00		
2027	274,700.00	330,000.00		
2028	281,800.00	340,000.00		
2029	292,700.00	345,000.00		
2030	302,100.00	350,000.00		
2031	--	710,000.00		
Total	$3,635,100.00	$5,034,700.00		

[1] Includes debt service on the Refunded Bonds expected to be refinanced with the proceeds of the Refunding Bonds.
Source: Palo Verde Community College District

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The following table displays the total annual debt service requirements of the District for all of the District-wide outstanding general obligation bonded debt:

GENERAL OBLIGATION BONDED INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS
Palo Verde Community College District

Year Ending (August)	The New Money Bonds	Total Annual Debt Service
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
Total		

Source: Palo Verde Community College District.

Certificates of Participation. On July 30, 2008, the District issued its 2008 Certificates in the aggregate principal amount of $31,995,000. The following table displays the total annual debt service requirements of the District for the 2008 Certificates:

CERTIFICATES OF PARTICIPATION INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS
Palo Verde Community College District

Year Ending (January)	2008 Certificates[1]
2017	$2,353,518.76
2018	2,348,881.26
2019	2,346,912.50
2020	2,347,312.50
2021	2,349,762.50
2022	2,353,925.00
2023	2,353,175.00
2024	2,354,925.00
2025	2,353,925.00
2026	2,354,300.00
2027	2,351,100.00
2028	2,349,325.00
2029	2,353,700.00
2030	2,348,675.00
2031	2,349,525.00
2032	2,350,700.00
2033	2,351,925.00
2034	2,347,925.00
2035	2,348,700.00
2036	2,348,700.00
2037	2,352,650.00
Total	$49,369,562.52

[1] Includes debt service on the Refunded Certificates expected to be prepaid with the proceeds of the New Money Bonds.
Source: Palo Verde Community College District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income

of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificates relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed forms of opinion of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2015-16 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of enumerated events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. [To Come]

Absence of Material Litigation

[CONFIRM] The District is occasionally subject to lawsuits and claims. At the time of delivery of the Bonds, the District will certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District threatened, against the District in any material respect contesting the District's ability to issue the Bonds, to restrain or enjoin the execution or issuance of the Bonds, or in any way contesting or affecting

the validity of the Bonds or contesting the District's ability to levy or collect *ad valorem* taxes to pay the principal of and interest on the Bonds, or the ability of the District to collect other revenues. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

There are a number of other legal claims pending against the District on matters unrelated to the Bonds. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after February 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A hereto.

Escrow Verification

Upon delivery of the Refunding Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the respective Escrow Funds to pay the prepayment price of and accrued interest on the Refunded Certificates and the redemption price of and accrued interest on the Refunded Bonds.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "__" by Moody's and "__" by S&P, respectively. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no

responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "- Continuing Disclosure" herein and "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Financial Statements

The financial statements for the year ended June 30, 2015, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated _____, 2015 of _____ (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Morgan Stanley & Co. LLC (the "Underwriter") has agreed, pursuant to purchase contracts by and between the District and the Underwriter to purchase: (i) all of the New Money Bonds for a purchase price of $_____ (principal amount of the New Money Bonds of $_____, plus net original issue premium of $_____, and minus an underwriting discount of $_____); and (ii) all of the Refunding Bonds for a purchase price of $_____ (principal amount of the Refunding Bonds of $_____, plus net original issue premium of $_____, and minus an underwriting discount of $_____).

The purchase contracts related to the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contracts, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside front cover pages of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

This Official Statement supplies information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein about the District has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

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

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

PALO VERDE COMMUNITY COLLEGE DISTRICT

By:_____

Dr. Donald G. Wallace
Superintendent/President

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon the issuance and delivery of the New Money Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the New Money Bonds substantially in the following form:

[Closing Date]

Board of Trustees
Palo Verde Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $_____ Palo Verde Community College District (Riverside and San Bernardino Counties, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Palo Verde Community College District (the "District") voting at an election held on November 4, 2014, and a resolution adopted by the Board of Trustees of the District on January 19, 2016 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a

Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

Upon the issuance and delivery of the Refunding Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Refunding Bonds substantially in the following form:

[Closing Date]

Board of Trustees
Palo Verde Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $_____ Palo Verde Community College District (Riverside and San Bernardino Counties, California) 2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a resolution adopted by the Board of Trustees of the Palo Verde Community College District (the "District") on January 19, 2016.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

APPENDIX B

THE DISTRICT'S 2014-15 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Palo Verde Community College District (the "District") in connection with the issuance of (i) $_____ Palo Verde Community College District (Riverside and San Bernardino Counties, California) Election of 2014 General Obligation Bonds, Series A (the "New Money Bonds"); and (ii) $_____ Palo Verde Community College District (Riverside and San Bernardino Counties, California) 2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1) (the "Refunding Bonds") The Bonds are being issued pursuant to resolutions of the Board of Trustees of the District adopted on January 19, 2016 (the "Resolutions"). 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 Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 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" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean 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" shall mean the State of California.

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 (presently ending June 30), commencing with the report for the 2015-16 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Participating Underwriter. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 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 they are 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) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). 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 each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, 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.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) FTES of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year; and

(e) Information regarding total assessed valuation of taxable properties within the District and the Improvement District, if and to the extent provided to the District by the Counties.

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 the Repository 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 in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) 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. non-payment related defaults.

2. modifications to rights of Holders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

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(a) or 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute 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. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District.

The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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, 5(a) or 5(b), 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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 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 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. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 gross 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. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Date: _____ __, 2016

PALO VERDE COMMUNITY COLLEGE DISTRICT

By_____

Chief Business Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: PALO VERDE COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series A
2016 General Obligation Refunding Bonds (School Facilities Improvement District No. 2004-1)

Date of Issuance: _____ __, 2016

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

Dated:_____

PALO VERDE COMMUNITY COLLEGE DISTRICT

By _____[form only; no signature required]_____

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BLYTHE, THE CITY OF NEEDLES, SAN BERNARDINO COUNTY AND RIVERSIDE COUNTY

The following information regarding the City of Blythe, the City of Needles (collectively, the "Cities"), San Bernardino County and Riverside County (collectively, the "Counties") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the Counties. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The City of Blythe. Blythe is a general law city and was incorporated in 1916. The City encompasses an area of approximately 26.8 square miles and is located approximately 225 miles east of Los Angeles and 150 miles west of Phoenix, Arizona, in the Palo Verde Valley along the Colorado River. Blythe has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members elected biennially at large to four-year alternating terms.

The City of Needles. Needles is a charter city and was incorporated in 1913. The City is the eastern gateway to the Mojave National Preserve in California, and it lies along the western bank of the Colorado River, which serves as the border between the State of California and the State of Arizona. Needles is also bordered on the east by the State of Nevada. It encompasses an area of approximately 30 square miles and is located 110 miles southeast of Las Vegas, in the Mohave Valley. Needles has a Council-Manager form of municipal government. The City Council is composed of six members elected biennially at large to four-year staggered terms. Following each election, the council selects from its membership a Vice Mayor. The Mayor of the City is elected at large to serve a two year term.

San Bernardino County. San Bernardino County is located in the southern portion of the State of California (the "State"). The County is bordered by the State of Nevada and the State of Arizona to the east, Riverside County to the south, Inyo County to the north, and Kern, Los Angeles and Orange Counties to the west. It is the fifth most populous county in the State and the twelfth most populous in the United States. The County has an area of 20,160 square miles, with more than three-quarters of the area vacant and covered by desert, forest and mountain ranges. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853. The County seat is the city of San Bernardino.

Riverside County. Riverside County is the fourth largest county in the State, encompassing approximately 7,208 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County has experienced a period of growth and development and is one of the fastest-growing counties in California. It is currently the tenth most populous county in the United States, and fourth largest in the State. The County, incorporated in 1893, is a general law county with its seat located in the city of Riverside.

Population

The following table below shows historical population figures for the Cities, the Counties and the State from 2001 through 2015.

POPULATION ESTIMATES
2001 through 2015
City of Blythe, City of Needles, San Bernardino County, Riverside County and State of California

	City of Blythe		City of Needles		San Bernardino County		Riverside County		State of California	
Year[1]	Population	% Change	Population	% Change	Population	% Change	Population	% Change	Population	% Change
2001	20,713	--	4,828	--	1,741,416	--	1,589,708	--	34,256,789	--
2002	21,063	1.6%	4,978	3.1%	1,782,268	2.3%	1,655,291	4.1%	34,725,516	1.4%
2003	21,031	-0.2	4,961	-0.3	1,825,379	2.4	1,730,219	4.5	35,163,609	1.3
2004	21,747	3.4	5,024	1.2	1,875,063	2.7	1,814,485	4.9	35,570,847	1.2
2005	21,511	-1.1	5,066	0.8	1,921,423	2.5	1,895,695	4.5	35,869,173	0.8
2006	21,576	0.3	5,085	0.4	1,959,715	2.0	1,975,913	4.2	36,116,202	0.7
2007	21,876	1.4	5,063	-0.4	1,989,690	1.5	2,049,902	3.7	36,399,676	0.8
2008	20,817	-4.8	5,005	-1.1	2,009,594	1.0	2,102,741	2.6	36,704,375	0.8
2009	20,460	-1.7	4,927	-1.6	2,019,432	0.5	2,140,626	1.8	36,966,713	0.7
2010[2]	20,817	1.7	4,844	-1.7	2,035,210	0.8	2,189,641	2.3	37,253,956	0.8
2011	20,062	-3.6	4,857	0.3	2,046,619	0.6	2,205,731	0.7	37,427,946	0.5
2012	20,408	1.7	4,872	0.3	2,054,786	0.4	2,229,467	1.1	37,680,593	0.7
2013	19,598	-4.0	4,896	0.5	2,069,806	0.7	2,253,516	1.1	38,030,609	0.9
2014	18,982	-3.1	4,904	0.2	2,084,151	0.7	2,280,191	1.2	38,357,121	0.9
2015	18,909	-0.4	4,940	0.7	2,104,291	1.0	2,308,441	1.2	38,714,725	0.9

[1] As of January 1.
[2] As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2002-09, 2011-15 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Income

The following table shows per capita personal income for the Counties, the State and the United States from 2004 through 2014.

PER CAPITA PERSONAL INCOME[1]
2004 through 2014
San Bernardino County, Riverside County, State of California and the United States

Year	San Bernardino County	Riverside County	State of California	United States
2004	$26,951	$27,801	$37,156	$34,300
2005	27,873	28,933	38,964	35,888
2006	29,026	30,368	41,623	38,127
2007	30,119	30,934	43,152	39,804
2008	30,614	30,876	43,608	40,873
2009	29,870	29,651	41,587	39,379
2010	30,014	29,612	42,282	40,144
2011	31,241	31,196	44,749	42,332
2012	32,048	32,534	47,505	44,200
2013	32,747	33,278	48,434	44,765
2014	32,892	33,590	49,985	46,049

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the Cities, the Counties and the State from 2010 through 2014.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2010 through 2014[1]
City of Blythe, City of Needles, San Bernardino County, Riverside County, and State of California

Year and Area	Labor Force	Employment[2]	Unemployment[3]	Unemployment Rate (%)
2010				
City of Blythe	7,300	6,100	1,300	17.3%
City of Needles	2,200	1,900	200	10.8
San Bernardino County	861,500	739,400	122,100	14.2
Riverside County	938,400	802,300	136,200	14.5
State of California	18,330,500	16,063,500	2,267,000	12.4
2011				
City of Blythe	7,300	6,100	1,200	16.5%
City of Needles	2,200	1,900	200	10.2
San Bernardino County	855,400	741,100	114,300	13.4
Riverside County	939,600	810,400	129,200	13.8
State of California	18,404,500	16,237,300	2,167,200	11.8
2012				
City of Blythe	7,300	6,300	1,100	14.7%
City of Needles	2,200	2,000	200	9.0
San Bernardino County	860,900	758,000	103,000	12.0
Riverside County	944,500	828,800	115,600	12.3
State of California	18,519,000	16,589,700	1,929,300	10.4
2013				
City of Blythe	7,400	6,500	900	12.4%
City of Needles	2,200	2,000	200	7.6
San Bernardino County	865,100	778,100	87,000	10.1
Riverside County	953,200	855,300	97,900	10.3
State of California	18,596,800	16,933,300	1,663,500	8.9
2014				
City of Blythe	6,600	6,000	600	9.2%
City of Needles	2,000	1,800	100	5.8
San Bernardino County	911,400	838,200	73,200	8.0
Riverside County	1,011,500	928,200	83,400	8.2
State of California	18,811,400	17,397,100	1,414,300	7.5

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2012, 2013 and 2014 Benchmarks.

Industry

The following tables summarize the average annual industry employment in the Counties from 2010 through 2014.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2010 through 2014
San Bernardino County

Type of Employment	2010	2011	2012	2013	2014
Farm	2,600	2,500	2,400	2,400	2,100
Mining and Logging	600	600	800	900	1,000
Construction	24,300	25,000	26,800	27,400	29,700
Manufacturing	47,300	46,500	47,300	48,300	49,900
Transportation, Warehousing and Utilities	47,200	48,600	52,900	54,500	58,900
Wholesale Trade	29,600	29,400	31,600	34,000	35,800
Retail Trade	77,000	76,900	81,000	82,400	83,600
Information	3,800	4,500	5,300	5,300	5,000
Financial Activities	21,700	21,400	21,600	22,100	22,100
Professional and Business Services	73,200	73,700	73,400	74,900	76,700
Educational and Health Services	86,200	86,900	91,100	100,700	105,100
Leisure and Hospitality	55,100	55,200	57,100	60,900	63,300
Other Services	19,900	20,300	20,900	20,900	21,500
Government	125,100	113,300	112,500	114,000	115,900
Total All Industries	613,700	604,700	624,100	648,600	670,600

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2010 through 2014
Riverside County

Type of Employment	2010	2011	2012	2013	2014
Total Farm	12,400	12,400	12,500	12,100	12,200
Mining and Logging	400	400	400	300	300
Construction	35,400	34,100	35,900	42,600	47,300
Manufacturing	37,900	38,600	39,400	39,000	40,400
Transportation, Warehousing and Utilities	19,400	20,200	21,000	24,900	28,400
Wholesale Trade	19,100	19,700	20,700	22,400	23,200
Retail Trade	78,500	81,600	81,400	82,400	85,200
Information	10,300	7,700	6,400	6,300	6,300
Financial Activities	19,300	18,600	19,300	20,000	20,600
Professional and Business Services	50,400	52,300	54,100	57,600	61,200
Educational and Health Services	67,800	70,700	76,100	83,800	88,500
Leisure and Hospitality	67,700	68,900	72,300	75,000	81,000
Other Services	18,300	18,800	19,200	20,300	21,700
Government	109,200	114,200	112,100	111,200	112,800
Total All Industries	546,000	558,200	571,200	597,800	628,900

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

Principal Employers

The following tables list the principal employers located in the Cities and the Counties.

PRINCIPAL EMPLOYERS
City of Blythe

Employer Name	Industry
Ironwood State Prison	Level III prison
Chuckawalla Valley State Prison	Level II prison
Palo Verde Unified School District	Schools
Morgan Corporation	Manufacturing
Palo Verde Community College District	Schools
Palo Verde Hospital	Hospitals
City of Blythe	Municipality

Source: Blythe, Riverside County, CA, Community Profile, https://www.paloverde.edu/accreditation/pdf/Blythe%20economic%20profile.pdf

PRINCIPAL EMPLOYERS
City of Needles

Employer Name	Industry
Various Casinos, Laughlin, NV	Casinos
Burlington Northern Santa Fe Railroad	Railroads
Western Arizona Regional Medical Center, Bullhead City, AZ	Hospitals
Colorado River Medical Center	Hospitals
City of Needles	Municipality
Needles Unified School District	Schools
Pacific Gas & Electric Company	Utilities

Source: City of Needles, Community Profile, http://www.cityofneedles.com/pages/about-needles/

PRINCIPAL EMPLOYERS
As of June 30, 2014
San Bernardino County

Employer Name	Employees	Percentage of Total County Employment
County of San Bernardino	19,000	2.00%
Stater Bros. Market	18,221	1.92
U.S. Army, Fort Irwin and National Training Center	13,805	1.45
Loma Linda University	13,805	1.45
U.S. Marine Corps Air Ground Combat Center	12,486	1.31
United Parcel Service	8,600	0.91
San Bernardino City Unified School District	8,574	0.90
Ontario International Airport	7,695	0.81
Loma Linda University Medical Center	6,147	0.65
Kaiser Permanente	6,000	0.63

Source: "Comprehensive Annual Financial Report" of San Bernardino County, California for the fiscal year July 1, 2013 through June 30, 2014.

PRINCIPAL EMPLOYERS
As of June 30, 2014
Riverside County

Employer Name	Employees	Percentage of Total County Employment
County of Riverside	19,916	2.30%
March Air Reserve Base	8,500	0.98
Stater Brothers Market	6,900	0.80
University of California, Riverside	5,514	0.64
Kaiser Permanente Riverside Medical Center	5,270	0.61
Pechanga Resort and Casino	4,500	0.52
Corona-Norco Unified School District	4,300	0.50
Wal-Mart	4,068	0.47
Riverside Unified School District	4,000	0.46
Hemet Unified School District	3,572	0.41

Source: "Comprehensive Annual Financial Report" of Riverside County, California for the fiscal year July 1, 2013 through June 30, 2014.

Commercial Activity

Summaries of annual taxable sales for the Cities and the Counties from 2009 through 2013 are shown in the following tables.

ANNUAL TAXABLE SALES
2009 through 2013[1]
City of Blythe
(In Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2009	161	$121,655	256	$135,631
2010	165	122,611	262	135,094
2011	159	126,564	263	145,422
2012	159	134,873	265	169,341
2013	160	148,348	258	168,254

(1) Calendar Year 2014 data is not yet available.
Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2009 through 2013[1]
City of Needles
(In Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2009	71	$32,245	117	$34,793
2010	68	30,552	110	33,481
2011	72	31,132	112	33,610
2012	72	30,056	111	32,442
2013	69	31,035	106	33,447

(1) Calendar Year 2014 data is not yet available.
Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2009 through 2013[1]
San Bernardino County
(In Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2009	31,676	$16,330,138	45,062	$23,652,433
2010	34,068	17,308,880	47,562	24,687,862
2011	34,140	18,736,053	47,791	27,322,980
2012	35,095	19,980,937	48,936	29,531,921
2013	32,986	21,173,875	46,632	31,177,823

(1) Calendar Year 2014 data is not yet available.
Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2009 through 2013[1]
Riverside County
(In Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2009	29,829	$16,057,488	42,765	$22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467

(1) Calendar Year 2014 data is not yet available.
Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2010 through 2014 for the Cities and the Counties are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2010 through 2014
City of Blythe

	2010	2011	2012	2013	2014
Valuation ($000's)					
Residential	$1,240	$1,079	$378	$865	$1,028
Non-Residential	4,602	6,222	1,910	6,865	2,464
Total	$5,842	$7,301	$2,288	$7,730	$3,492
Units					
Single Family	7	9	1	2	6
Multiple Family	0	0	0	0	0
Total	7	0	1	2	6

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2010 through 2014
City of Needles

	2010	2011	2012	2013	2014
Valuation ($000's)					
Residential	$565	$369	$393	$2,501	$1,041
Non-Residential	141	23	22	1,155	3,137
Total	$706	$392	$415	$3,656	$4,178
Units					
Single Family	2	1	1	1	2
Multiple Family	0	0	0	0	0
Total	2	2	1	1	2

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2010 through 2014
San Bernardino County

	2010	2011	2012	2013	2014
Valuation ($000's)					
Residential	$357,216	$281,709	$480,704	$666,166	$708,471
Non-Residential	252,999	353,069	562,616	768,169	958,267
Total	$610,215	$634,778	$1,043,320	$1,434,335	$1,666,738
Units					
Single Family	1,198	1,075	1,214	1,874	1,937
Multiple Family	649	409	596	1,439	1,266
Total	1,847	1,484	1,810	3,313	3,203

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2010 through 2014
Riverside County

	2010	2011	2012	2013	2014
Valuation ($000's)					
Residential	$1,079,637	$885,789	$1,079,405	$1,375,593	$1,621,751
Non-Residential	539,379	553,570	657,595	873,977	814,990
Total	$1,619,016	$1,439,359	$1,737,000	$2,249,570	$2,436,741
Units					
Single Family	4,031	2,659	3,720	4,716	5,007
Multiple Family	526	1,061	909	1,427	1,931
Total	4,557	3,720	4,629	6,143	6,938

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at https://www.countytreasurer.org/; however, the information presented on such website is not incorporated herein by any reference.