

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013
NEW ISSUE – BOOK ENTRY ONLY

**RATING: Moody's: “___”
(See “RATING” herein.)**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Tax Counsel, interest on the Bonds is exempt from State of California personal income taxes. See “TAX MATTERS” herein.

\$ _____*
**MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
GENERAL OBLIGATION REFUNDING BONDS, ELECTION OF 2002, SERIES C**

Dated: Date of Delivery

Due: June 1, as shown below.

The Mt. Diablo Unified School District General Obligation Refunding Bonds, Election of 2002, Series C (the “Bonds”) are being issued to (i) refund a portion of the District’s outstanding General Obligation Bonds, Election of 2002, Series 2006 on an advance basis and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF REFUNDING.” The Bonds are issued on a parity with all other general obligation bonds of the District.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2013. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 principal amount or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by Wells Fargo Bank, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

The Bonds are subject to optional redemption prior to maturity as described herein. See “THE BONDS – Optional Redemption” herein.

The Bonds are general obligations of the District only and are not obligations of the County of Contra Costa (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP ¹ (621196)	Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP ¹ (621196)
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THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Matt Juhl-Darlington & Associates, Chico, California, Bond Counsel, and certain other conditions. Matt Juhl-Darlington & Associates, Chico, California, is acting as Disclosure Counsel for the issue. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Special Tax Counsel to the District with respect to issuance of the Bonds. Certain matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about _____, 2013.

* Preliminary; subject to change.

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**DRAFT;
FOR DISCUSSION PURPOSES ONLY**

STONE & YOUNGBERG LOGO

GEORGE K. BAUM & COMPANY

The Date of this Official Statement is: _____, 2013

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FOR DISCUSSION PURPOSES ONLY**

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

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Contra Costa, the County of Contra Costa has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE CONTRA COSTA COUNTY TREASURY POOL."

The Underwriters have provided the following sentence for inclusion in this Official Statement. "The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information."

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

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.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Contra Costa County, State of California

Board of Education

Cheryl Hansen, *President*
Barbara Oaks, *Vice-President*
Linda Mayo, *Member*
Lynne Dennler, *Member*
Brian Lawrence, *Member*

District Administrators

Steven Lawrence, Ph.D., *Superintendent*
Rose Lock, *Assistant Superintendent of Student Achievement and School Support*
Mildred Browne, Ed.D., *Assistant Superintendent, Special Education and Student Services*
Julie Braun-Martin, *Assistant Superintendent, Personnel Services*
Bryan Richards, *Chief Financial Officer*
Gregory J. Rolan, *General Counsel*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Matt Juhl-Darlington & Associates
Chico, California

Special Tax Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent, Registration Agent and Escrow Agent

Wells Fargo Bank, National Association
San Francisco, California

Escrow Verification Agent

Causey, Demgen & Moore Inc.
Denver, Colorado

DRAFT;
FOR DISCUSSION PURPOSES ONLY

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MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
GENERAL OBLIGATION REFUNDING BONDS, ELECTION OF 2002, SERIES C

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page 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 Mt. Diablo Unified School District (the “District”) proposes to issue \$_____ aggregate principal amount of its General Obligation Refunding Bonds, Election of 2002, Series C (the “Bonds”) in order to advance refund certain outstanding general obligation bonds of the District which were issued under and pursuant to a bond authorization (the “2002 Authorization”) for the issuance and sale of not more than \$250,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on March 5, 2002 (the “Election”). No further bonds remain for issuance pursuant to the 2002 Authorization. Refunding bonds are not counted against the authorization amount and therefore, the District may issue the Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2002 Authorization.

Purpose of Issue

Proceeds from the sale of the Bonds will be used to advance refund a portion of the District’s outstanding General Obligation Bonds, Election of 2002, Series 2006 (the “Series 2006 Bonds”) and to pay certain costs of issuance associated therewith. See “PLAN OF FINANCE” herein.

Registration

Wells Fargo Bank, National Association will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered Owner of the Bonds and DTC’s book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

The District

The District, a unified school district of the State of California (the “State”), was established on July 1, 1949, and is located in the northwestern portion of Contra Costa County (the “County”). The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point, and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in [thirty-one elementary schools, ten middle schools, six high schools and twenty alternative schools and programs, and provides adult education in two adult education centers]. The District’s estimated average daily attendance for fiscal year 2012-13 is _____ students, and the District has a 2012-13 assessed valuation of

* Preliminary; subject to change.

\$_____. The District's audited financial statements for the fiscal year ended June 30, 2012 are attached hereto as APPENDIX C. For further information concerning the District, see the caption "MT. DIABLO UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of, and interest on, the Bonds when due. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under certain provisions of the Government Code of the State and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS - Authority for Issuance" herein. The Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds that were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds to be refunded.

Redemption

The Bonds are subject to optional redemption as described herein. See "THE BONDS – Optional Redemption" herein.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to the qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Tax Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Closing Date

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 on or about _____, 2013.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 9 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53550) and pursuant to a resolution of the Board of Education of the District adopted on _____, 2013 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to refund on an advance basis a portion of the District’s outstanding Series 2006 Bonds, the proceeds of which were used for the purposes specified in the District bond proposition submitted at the Election, which included upgrading electrical systems, repairing inadequate heating, ventilation and plumbing systems, replacing aging roofs, renovating restrooms, improving building exteriors and grounds for safety, replacing aging portables, and constructing or acquiring new classrooms, educational facilities and technology infrastructure.

Description of the Bonds

The Bonds are dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof.

The principal of the Bonds is payable on the maturity dates of the respective Bonds set forth on the cover of this Official Statement or the earlier redemption of the Bonds. Interest on the Bonds is payable on each June 1 and December 1 (each, an “Interest Payment Date”) in each of the years, commencing June 1, 2013, and calculated at the interest rates per annum, set forth on the cover page of this Official Statement.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal amount of and interest or premium, if any, on the Bonds when due are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” herein.

Optional Redemption

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

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. 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

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds. Such redemption notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the 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, as appropriate, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

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

Transfer and Exchange

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

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

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

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The District is current on all filings required pursuant to its previous continuing disclosure agreements and within the last five years has not failed to comply with its continuing disclosure obligations. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Deposit to Escrow Fund
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Payment of Underwriters' discount, Bond and Disclosure Counsel fees, Special Tax Counsel fees, financial advisory fees, rating agency fees, escrow verification agent fee and other costs of issuance.

DEBT SERVICE SCHEDULE

The first of the following two tables summarizes the principal and interest payments on the Bonds. The second table shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the Bonds, the Series 2004 Bonds, the General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), the General Obligation Refunding Bonds, Election of 2002, Series B (the "Series B Bonds"), the General Obligation Refunding Bonds, Election of 2002, Series B-2 (the "Series B-2 Bonds"), the General Obligation Bonds, Election of 2002, Series 2006 (the "Series 2006 Bonds"), the General Obligation Bonds, 2010 Election, 2010 Series A and 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) (collectively, the "Series 2010 Bonds"), the General Obligation Bonds, 2010 Election, 2011 Series C (Federally Taxable Qualified School Construction Bonds - Direct Payment) and 2011 Series D (collectively, the "Series 2011 Bonds") and the General Obligation Bonds, 2010 Election, 2012 Series E (the "Series E Bonds"):

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DEBT SERVICE ON THE BONDS

<u>Bond Year</u> <u>Ending June 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
Total			

[Remainder of page intentionally left blank]

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

2002 Authorization

2010 Authorization

Period Ending August 1 ⁽¹⁾	Series 2004 Bonds	Series 2006 Bonds	Series 2011 Refunding Bonds	Series B Refunding Bonds	Series B-2 Refunding Bonds	The Bonds	Series 2010 Bonds ⁽²⁾	Series 2011 Bonds	Series E Bonds	Total Debt Service
2012	\$ 4,004,515.63	\$ 3,906,430.00	\$ 3,447,237.50	\$2,217,678.33	\$1,054,718.26		\$ 2,813,922.10	\$ 700,670.31	-	\$18,145,172.13
2013	4,234,781.25	4,197,180.00	3,435,487.50	2,069,000.00	1,954,562.50		2,813,922.10	533,890.00	\$14,426,847.86	33,665,671.21
2014	4,191,031.25	4,155,680.00	3,437,587.50	2,066,300.00	1,954,562.50		2,813,922.10	533,890.00	12,381,915.00	31,534,888.35
2015	-	3,607,680.00	3,432,237.50	5,968,600.00	1,954,562.50		6,493,922.10	933,890.00	6,719,850.00	29,110,742.10
2016	-	3,600,817.50	3,424,387.50	5,963,800.00	1,954,562.50		5,478,190.90	968,890.00	6,723,850.00	28,114,498.40
2017	-	3,652,467.50	3,413,287.50	5,937,800.00	1,954,562.50		6,148,344.50	993,890.00	6,927,550.00	29,027,902.00
2018	-	3,660,637.50	3,420,237.50	5,910,000.00	1,954,562.50		6,857,688.20	1,028,890.00	7,270,750.00	30,102,765.70
2019	-	3,655,912.50	3,429,962.50	5,884,000.00	1,954,562.50		7,589,637.20	1,058,890.00	7,659,550.00	31,232,514.70
2020	-	3,634,275.00	3,430,675.00	5,864,750.00	1,954,562.50		8,341,776.80	1,082,640.00	8,076,550.00	32,385,229.30
2021	-	3,593,250.00	3,442,925.00	5,843,250.00	1,954,562.50		9,102,163.40	1,128,890.00	8,489,950.00	33,554,990.90
2022	-	3,526,550.00	3,456,750.00	5,825,750.00	1,954,562.50		9,961,444.80	1,336,390.00	8,674,150.00	34,735,597.30
2023	-	3,440,300.00	3,461,250.00	5,806,500.00	1,954,562.50		10,928,459.90	1,348,330.00	9,052,550.00	35,991,952.40
2024	-	3,340,400.00	3,468,750.00	-	-	7,849,562.50	11,933,505.70	1,337,030.00	9,408,050.00	37,337,298.20
2025	-	3,212,525.00	3,473,750.00	-	-	7,845,812.50	12,978,068.30	1,323,570.00	9,883,550.00	38,717,275.80
2026	-	3,058,025.00	3,481,000.00	-	-	7,843,062.50	14,066,678.50	822,950.00	10,856,800.00	40,128,516.00
2027	-	6,688,250.00	-	-	-	7,840,312.50	15,195,242.10	838,700.00	11,076,300.00	41,638,804.60
2028	-	6,469,750.00	-	-	-	7,845,812.50	16,390,737.50	875,625.00	11,626,800.00	43,208,725.00
2029	-	6,235,500.00	-	-	-	7,845,062.50	17,758,112.50	898,875.00	11,190,550.00	43,928,100.00
2030	-	14,311,250.00	-	-	-	-	19,304,662.50	937,075.00	9,964,800.00	44,517,787.50
2031	-	13,996,500.00	-	-	-	-	20,964,437.50	975,875.00	9,519,300.00	45,456,112.50
2032	-	-	-	-	-	-	6,817,637.50	-	14,157,300.00	20,974,937.50
2033	-	-	-	-	-	-	5,812,650.00	-	15,850,050.00	21,662,700.00
2034	-	-	-	-	-	-	6,047,050.00	-	17,716,487.50	23,763,537.50
2035	-	-	-	-	-	-	6,286,837.50	-	19,759,750.00	26,046,587.50
2036	-	-	-	-	-	-	-	-	19,370,500.00	19,370,500.00
2037	-	-	-	-	-	-	-	-	10,458,333.33 ⁽³⁾	10,458,333.33
Total	\$12,430,328.13	\$101,943,380.00	\$51,655,525.00	\$59,357,428.33	\$69,624,530.76		\$232,899,013.70	\$19,658,850.31	\$277,242,083.69	\$824,811,139.92

⁽¹⁾ The Bond Year ends on June 1 for the Series 2006 Bonds; July 1 for the Series 2004 Bonds, the Series B Refunding Bonds and the Series B-2 Refunding Bonds; and August 1 for the Series 2011 Refunding Bonds, the Series 2010 Bonds, the Series 2011 Bonds and the Bonds (except for the Bonds maturing in 2037 which mature on June 1).

⁽²⁾ Excludes the anticipated receipt of subsidy payments to be made on a portion of the Series 2010 Bonds and a portion of the Series 2011 Bonds.

⁽³⁾ Matures on June 1, 2037.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County of Contra Costa has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. No further general obligation bonds remain for issuance under the 2002 Authorization, except for possible refunding bonds. The District received authorization to issue \$348,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on June 8, 2010 (the "2010 Authorization"). \$77,009,943.45 aggregate principal amount of general obligation bonds remain for issuance under the 2010 Authorization. All general obligation bonds of the District are issued on a parity with one another.

PLAN OF REFUNDING

Redemption of Series 2006 Bonds

The net proceeds of the Bonds will be applied to accomplish an advance refunding of a portion of the Series 2006 Bonds (the "Refunded Bonds"). The Refunded Bonds are expected to consist of the maturities of the Series 2006 Bonds described in the following table:

MT. DIABLO UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Election of 2002, Series 2006
Refunded Bonds *

Maturity Date (June 1)	CUSIP No. (621196)	Principal Amount to be Refunded	Redemption Date	Redemption Price (% of par)
2018			June 1, 2014	101%
2019			June 1, 2014	101
2020			June 1, 2014	101
2021			June 1, 2014	101
2022			June 1, 2014	101
2023			June 1, 2014	101
2024			June 1, 2014	101
2025			June 1, 2014	101
2026			June 1, 2014	101
2027			June 1, 2014	101
2028			June 1, 2014	101
2029			June 1, 2014	101
2030			June 1, 2014	101
2031			June 1, 2014	101

* Preliminary; subject to change.

The maturities of the Series 2006 Bonds listed in the following table are not expected to be refunded and will remain outstanding subsequent to the issuance of the Bonds.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Election of 2002, Series 2006
Unrefunded Bonds***

Maturity Date (June 1)	CUSIP No. (621196)	Principal Amount
2013		
2014		
2015		
2016		
2017		

Upon the issuance of the Bonds, the District will deposit the net proceeds of the Bonds into an Escrow Fund (the “Escrow Fund”) established pursuant to the Escrow Deposit and Trust Agreement, dated as of March 1, 2013, by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) thereunder, in order to redeem the Refunded Bonds on June 1, 2014, at a redemption price of 101% of the par amount of the Refunded Bonds plus accrued interest.

The sufficiency of amounts deposited into the Escrow Fund together with investment earnings thereon to effect the foregoing redemption will be verified by Causey, Demgen & Moore, Inc., certified public accountants. See the caption “ESCROW VERIFICATION” herein.

TAX BASE FOR REPAYMENT OF THE BONDS

Assessed Valuations

The assessed valuation of property in the District is established by the 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 value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

A State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, 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.

The following table presents the historical assessed valuation in the District for the last eleven fiscal years including the annual percent change. The District’s total assessed valuation is \$_____ in fiscal year 2012-13.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2002-03 Through 2012-13

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2002-03	\$20,950,443,237	\$14,591,990	\$942,041,048	\$21,892,484,285	7.23%
2003-04	22,705,133,044	6,252,431	920,522,887	23,631,908,362	7.95
2004-05	24,434,456,724	6,489,435	868,334,641	25,309,280,800	7.10
2005-06	26,500,394,364	7,186,091	942,384,927	27,449,965,382	8.46
2006-07	29,196,571,252	6,300,577	951,192,569	30,154,064,398	9.85
2007-08	31,650,036,905	4,180,952	964,357,554	32,618,575,411	8.17
2008-09	31,738,225,590	3,832,225	1,062,848,164	32,804,905,979	0.57
2009-10	29,639,009,735	3,832,225	1,051,293,746	30,694,135,706	-6.43
2010-11	28,924,776,672	7,279,811	974,038,398	29,906,094,881	-2.57
2011-12	28,609,334,442	6,768,296	934,855,683	29,550,958,421	-1.19
2012-13					

Source: California Municipal Statistics, Inc.

The table below presents the 2012-13 assessed valuation within the District by jurisdiction.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2012-13 Assessed Valuation by Jurisdiction⁽¹⁾

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>

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

The table below presents the 2012-2013 assessed valuation within the District by land use.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
2012-2013 Assessed Valuation and Parcels by Land Use**

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

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2012-2013.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
2012-2013 Largest Total Secured Taxpayers**

	Property Owner	Primary Land Use	2012-2013 Assessed Valuation	% of Total ⁽¹⁾
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				

⁽¹⁾ 2012-13 total secured assessed valuation: \$_____.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (2-002) for fiscal years 2008-09 through 2012-2013:

MT. DIABLO UNIFIED SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation (TRA 2-002)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	
Bay Area Rapid Transit District	.0090	.0057	.0031	.0041	
East Bay Regional Park District	.0100	.0108	.0084	.0071	
Mount Diablo Unified School District	.0455	.0493	.0600	.0612	
Contra Costa Community College District	<u>.0066</u>	<u>.0126</u>	<u>.0133</u>	<u>.0144</u>	
Total All Property Tax Rate	\$1.0711	\$1.0784	\$1.0848	\$1.0868	
Contra Costa Water District (Land Only)	.0041	.0048	.0049	.0051	

Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County, as of the 1950-51 fiscal year, 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 for the County, 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 the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the 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 the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The delinquency rate for *ad valorem* property taxes exceeded 3% within the District in fiscal years 2007-08 and 2008-09 but the County's Teeter Plan has not been suspended. The District knows of no petition for the discontinuance of the Teeter Plan now pending in the County.

Secured Tax Charges and Delinquencies

The following table sets forth the secured tax charges and delinquencies within the District from fiscal Year 2007-08 through fiscal year 2011-12. Because the County participates in the Teeter Plan, the District does not realize property tax delinquencies but is paid 100% of property taxes levied in the District, regardless of delinquencies. See " - The Teeter Plan" above.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
SECURED TAX CHARGES AND DELINQUENCIES
FISCAL YEARS 2007-08 THROUGH 2011-12**

	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2007-08	\$13,151,902.12	\$526,267.47	4.00%
2008-09	14,200,845.88	460,317.48	3.24
2009-10	14,382,466.91	310,553.48	2.16
2010-11	17,101,571.50	257,674.68	1.51
2011-12			

⁽¹⁾ Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of March 1, 2013:

**MT. DIABLO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

Source: California Municipal Statistics Inc.

DISTRICT FINANCIAL INFORMATION

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 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 approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

District Investments

The Contra Costa County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool.

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

Any premium or accrued interest received by the County from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in the Debt Service Fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal and premium, if any, on bonds of the District. All funds held in the Debt Service Fund will be invested by the Treasurer at the direction of the District.

For a further discussion of the Pooled Investment Fund, see the caption “THE CONTRA COSTA COUNTY TREASURY POOL” herein.

Financial Statements of the District

The District’s general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District’s financial statements follows. The District’s audited financial statements for the 2011-12 fiscal year are attached hereto as APPENDIX C. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District’s audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 1936 Carlotta Drive, Concord, California 94519, telephone (925) 682-8000. The District may impose a charge for copying, mailing and handling.

The District’s financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See “DISTRICT FINANCIAL INFORMATION – General Fund” for more information regarding the District’s financial statements for recent fiscal years.

Funds used by the District are categorized as follows:

<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
General Fund	Trust and Agency Funds
Special Revenue Funds	Proprietary Funds
Debt Service Funds	Internal Service Funds
Capital Project Funds	

The general fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Chief Financial Officer for the District and audited

by independent certified public accountants each year. The District's audited financial statements for the year ending June 30, 2012 are attached hereto as APPENDIX C.

District Budgets

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

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

The District filed its 2010-11 First Interim Report with the Contra Costa County Office of Education (the "Office of Education") with a qualified certification within the meaning of section 42133 of the Education Code due in large part to decreased funding from the State as a result of the State budget deficit as well as to a continuing decline in average daily attendance. The District Board has subsequently approved approximately \$10 million in budget reductions including furlough days and benefit caps for District employees. As a result of the budget reductions described above, the District filed its 2010-11 Second Interim Report with the Office of Education with a positive certification within the meaning of Section 42133 of the Education Code.

The District filed its 2011-12 First Interim Report with the Office of Education with a qualified certification within the meaning of section 42133 of the Education Code due primarily to uncertainty relating to State funding and the precautionary set-aside of moneys in anticipation of certain trigger cuts by the State. The District also filed its 2011-12 Second Interim Report with the Office of Education with a qualified certification within the meaning of section 42133 of the Education Code due primarily to factors relating to the State budget, similar to the factors affecting the 2011-12 First Interim Report.

The District filed its 2012-13 First Interim Report with the Office of Education with a qualified certification within the meaning of section 42133 of the Education Code due _____.

Revenues

Revenue limit sources provided approximately ___% of total revenues of the District for 2011-12 and are budgeted to provide approximately ___% of total revenues of the District for 2012-13. Federal revenues represented approximately ___% of total revenues of the District for 2011-12 and are budgeted to provide approximately ___% of total revenues of the District for 2012-13. State revenues represented approximately ___% of total revenues of the District for 2011-12 and are budgeted to provide approximately ___% of total revenues of the District for 2012-13. Local revenues represented approximately ___% of total revenues of the District for 2011-12 and are budgeted to provide approximately ___% of total revenues of the District for 2012-13.

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General Fund

The following table describes the District's audited financial results for the fiscal years 2009-10, 2010-11 and 2011-12.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2009-10, 2010-11 and 2011-12**

	2009-10 Audit	2010-11 Audit		2011-12 Audit
REVENUES				
Revenue Limit Sources	\$165,118,381	\$171,505,099		
Federal Revenues	27,932,051	33,588,624		
Other State Revenues	62,989,934	79,147,484		
Other Local Revenues	<u>12,279,895</u>	<u>13,360,030</u>		
TOTAL REVENUES	\$268,320,261	\$297,601,237		
EXPENDITURES				
Certificated salaries	\$127,856,813	\$126,094,904		
Classified salaries	44,202,482	41,645,241		
Employee benefits	53,003,053	57,840,507		
Books and supplies	12,110,363	9,259,030		
Services and other operating expenditures	35,546,947	35,843,235		
Capital outlay	934,095	1,623,364		
Direct support/indirect costs	(715,708)	1,677,654		
Other outgo	<u>2,456,908</u>	<u>(687,701)</u>		
TOTAL EXPENDITURES	\$275,394,953	\$273,296,234		
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,074,692)	\$ 24,305,003		
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	\$ --	\$ 1,572,413		
Operating Transfers Out	(7,176,802)	(3,614,453)		
Sources	--	1,326,000		
Proceeds from issuance of long-term liabilities	<u>2,169,387</u>	<u> --</u>		
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,007,415)	\$ (716,040)		
Net Change in Fund Balances	(12,082,107)	23,588,963		
Fund Balances at Beginning of Year	\$ 47,217,125	\$ 35,135,018		
Fund Balances at End of Year	\$ 35,135,018	\$ 58,723,981		

Source: The District.

The table below sets forth the budgets of the District for fiscal years 2010-11, 2011-12 and 2012-13 as well as the first interim report for fiscal year 2012-13.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Adopted Budget for Fiscal Years 2010-11, 2011-12 and 2012-13
and First Interim Report for Fiscal Year 2012-13**

	<u>2010-11 Adopted Budget</u>	<u>2011-12 Adopted Budget</u>	<u>2012-13 Adopted Budget</u>	<u>2012-13 First Interim</u>
REVENUES				
Revenue Limit Sources	\$163,258,111	\$172,676,205		
Federal Revenues	20,508,626	20,338,017		
Other State Revenues	67,729,805	70,074,257		
Other Local Revenues	<u>8,304,326</u>	<u>7,306,953</u>		
TOTAL REVENUES	\$259,800,868	\$270,395,432		
EXPENDITURES				
Certificated Salaries	\$124,469,721	\$124,363,411		
Classified Salaries	39,295,380	37,613,887		
Employee Benefits	55,621,204	55,273,901		
Books and Supplies	12,326,799	12,996,275		
Services and Other Operating Expenditures	34,654,790	38,159,783		
Capital Outlay	302,707	152,817		
Other Outgo (excluding Transfers of Indirect Costs)	2,487,065	1,215,293		
Other Outgo – Transfers of Indirect Costs	<u>(740,508)</u>	<u>(679,198)</u>		
TOTAL EXPENDITURES	\$268,417,158	\$269,096,169		
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,616,290)	\$ 1,299,263		
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	\$ --	\$ --		
Operating Transfers Out	(3,486,037)	(3,914,687)		
Sources	<u>--</u>	<u>--</u>		
TOTAL OTHER FINANCING SOURCES (USES)	\$ (3,486,037)	\$ (3,914,687)		
Net Change in Fund Balances	(12,102,327)	(2,605,424)		
Fund Balances at Beginning of Year	\$ 20,618,220	\$ 34,821,216		
Fund Balances at End of Year	\$ 8,515,894	\$ 32,215,792		

Source: The District.

Retirement System

The District participates in the State of California Teachers Retirement System (“STRS”) which provides retirement benefits to certificated personnel. The District \$10,412,753 for fiscal year 2009-10, \$10,151,998 for fiscal year 2010-11 and \$_____ for fiscal year 2011-12. The District budgeted a contribution to STRS of \$_____ for fiscal year 2012-13. The District also participates in the State of California Public Employees’ Retirement System (“PERS”) which provides retirement benefits to classified personnel. The District contributed \$4,359,337 for fiscal year 2009-10, \$4,389,951 for fiscal year 2010-11 and \$_____ for fiscal year 2011-12. The District budgeted a contribution to PERS of \$_____ for fiscal year 2012-13.

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

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity’s annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 (“GASB 45”) was effective for the District for the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years with the District.

The District provides Health & Welfare Benefits to qualified eligible certificated employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 5 years of participation in STRS. The District provides Health & Welfare Benefits to qualified eligible classified employees who retire from the District on or after attaining age 55 with at least 5 years of participation in PERS and 5 years of service to the District. The District provides Health & Welfare Benefits to qualified eligible management and confidential employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 5 years of participation in STRS or PERS. On May 1, 2008, 1,034 retirees met these qualifications. The District pays the medical premiums incurred by qualified retirees through age 64 (or eligibility for Medical for certain classified employees) and requires retirees to contribute to the cost of coverage based on the active employee contributions.

For certificated employees who retire prior to age 64 and management and confidential employees who retire prior to age 63, Health & Welfare Benefits include medical coverage for one dependant and dental coverage for all dependants (effective in 2011, management and confidential employees who retire prior to age 63 will receive employee-only medical benefits). For certificated employees who retire at age 64, all classified employees and management and confidential employees

who retire at age 64, Health & Welfare Benefits include employee only medical coverage and no dental coverage. Spouse and dependent coverage ceases upon death of the retiree.

Expenditures for post-employment healthcare benefits are recognized each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2010 and June 30, 2011, expenditures of \$3,837,135 and \$4,086,706 were recognized for post-employment healthcare benefits, respectively. The District has completed an actuarial study of its Health and Welfare Benefits dated June 3, 2008. Based on that study, the District's Annual Required Contribution is \$8,043,769 and its unfunded actuarial accrued liability is \$71,000,000.

Certain Existing Obligations

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

<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
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¹ Does not include the refunding of a portion of the Series 2006 Bonds by the Bonds hereunder.
Source: The District.

General Obligation Bonds

The District received authorization from the voters within the District to issue \$250,000,000 aggregate principal amount of general obligation bonds pursuant to the 2002 Authorization. On June 20, 2002, the District issued \$69,400,000 principal amount of general obligation bonds under the 2002 Authorization; on June 10, 2004, the District issued \$121,000,000 principal amount of general obligation bonds under the 2002 Authorization; and on May 11, 2006, the District issued \$59,600,000 principal amount of general obligation bonds under the 2002 Authorization. On June 21, 2011, the District issued \$37,790,000 principal amount of general obligation refunding bonds to refund the general obligation bonds issued on June 20, 2002. On December 29, 2011, the District issued \$43,700,000 principal amount of general obligation refunding bonds to refund a portion of the general obligation bonds issued on June 10, 2004 and on April 5, 2012 the District issued \$40,540,000 principal amount of general obligation

refunding bonds to refund another portion of the general obligation bonds issued on June 10, 2004. No further general obligation bonds remain to be issued under the 2002 Authorization, except for possible refunding bonds.

Pursuant to the 2010 Authorization, the District received authorization to issue \$348,000,000 principal amount of general obligation bonds. On September 30, 2010, the District issued its General Obligation Bonds, 2010 Election, 2010 Series A and General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) in the aggregate principal amount of \$109,996,475 and on April 12, 2011, the District issued its General Obligation Bonds (Federally Taxable Qualified School Construction Bonds – Direct Payment) 2010 Election, 2011 Series C and General Obligation Bonds, 2010 Election, 2011 Series D in the aggregate principal amount of \$10,998,581.55. On June 20, 2012, the District issued its General Obligation Bonds, 2010 Election, 2012 Series E in the aggregate principal amount of \$144,995,000. \$77,009,943.45 of general obligation bonds remains to be issued under the 2010 Authorization. The Bonds are issued on a parity with all general obligation bonds of the District, including future general obligation bonds issued under the 2010 Authorization. See “DEBT SERVICE SCHEDULE” for the debt service payments to be made on all of the District’s outstanding general obligation bonds.

Special Tax Bonds

On June 7, 1988, the Board of Education established the Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) (the “CFD”). On November 7, 1989, the voters within the CFD authorized the issuance of not to exceed \$90,000,000 aggregate principal amount of special tax bonds of the CFD (the “CFD Authorization”). On June 30, 2005, the CFD issued its Series 2005 Special Tax and Revenue Refunding Bonds in the aggregate principal amount of \$15,760,000 (the “Series 2005 Bonds”) which refunded the CFD’s Series 1995 Special Tax Bonds and on June 14, 2006, the CFD issued its Series 2006 Special Tax Refunding Bonds in the aggregate principal amount of \$29,995,000 (the “Series 2006 Bonds”) which refunded the CFD’s Series 1996 Special Tax Bonds. The Series 2005 Bonds and the Series 2006 Bonds are the only currently outstanding bonds issued under the CFD Authorization. No further bonds remain for issuance pursuant to the CFD Authorization.

Certificates of Participation

The District has no currently outstanding certificates of participation.

Capital Leases

The District leases school buses under certain capital lease agreements with payments in the amount of \$104,996.32 each November and May through 2017.

MT. DIABLO UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District, the District’s finances and State funding of education 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 approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

District Organization

The District, a unified school district of the State, was established on July 1, 1949, and is located in the northwestern portion of Contra Costa County. The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point, and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, ten middle schools, six high schools and twenty alternative schools and programs, and provides adult education in two adult education centers. The District's estimated average daily attendance for fiscal year 2012-13 is _____ students, and the District has a 2012-13 assessed valuation of \$_____.

The District is governed by a Board of Education (the "Board"). The Board consists of five members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

BOARD OF EDUCATION

Name	Office	Term Expires November
Cheryl Hansen	President	2014
Barbara Oaks	Vice-President	2016
Linda Mayo	Member	2014
Lynne Dennler	Member	2014
Brian Lawrence	Member	2016

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519, Attention: Chief Financial Officer. The District may charge a small fee for copying, mailing and handling.

Key Personnel

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

Name	Title
Steven Lawrence, Ph.D.	Superintendent
Rose Lock	Assistant Superintendent of Student Achievement and School Support
Mildred Browne, Ed.D.	Assistant Superintendent, Special Education and Student Services
Julie Braun-Martin	Assistant Superintendent, Personnel Services
Bryan Richards	Chief Financial Officer
Gregory J. Rolan	General Counsel

Steven Lawrence, Ph.D. Superintendent Lawrence has served as Superintendent of the District since February 1, 2010. Prior to joining the District, Dr. Lawrence worked at Washington Unified School

District where he served as Superintendent from July, 2006 through January, 2010. He has a total of 22 years of education experience. Dr. Lawrence earned a Bachelor of Arts in Applied Mathematics and Economics from Brown University and a Doctorate in Philosophy from University of California, Los Angeles.

Bryan Richards. Bryan Richards has served as the Chief Financial Officer of the District since July 1, 2010, prior to which he was the Director of Fiscal Services of the District for 1½ years. Mr. Richards also served as Business Manager for the John Swett Unified School District from 2005 to 2008. Mr. Richards is licensed as a certified public accountant by the State of Virginia and holds a Chief Business Official Certificate from the University of California, Riverside. Mr. Richards earned a Bachelor of Science in Business and Public Administration with a concentration in Accounting from the University of Virginia's College at Wise.

District Employees

The District employs approximately _____ full-time equivalent certificated academic professionals as well as _____ full-time equivalent classified employees.

The certificated employees, with the exception of school psychologists, of the District have assigned the Mount Diablo Education Association ("MDEA") as their exclusive bargaining agent. The contract between the District and MDEA expires on June 30, 2013.

The school psychologists of the District have assigned the Mount Diablo School Psychologists Association ("MDSPA") as their exclusive bargaining agent. The contract between the District and MDSPA expires on June 30, 2013.

The classified employees in the maintenance, operations and transportation departments of the District have assigned Public Employees Union, Local #1, Maintenance & Operations Unit ("Local #1 M&O") as their exclusive bargaining agent and the contract between the District and Local #1 M&O expires on June 30, 2013.

The classified employees in the clerical, secretarial and technical positions have assigned Public Employees Union, Local #1, Clerical, Secretarial & Technical Unit ("Local #1 CST") as their exclusive bargaining agent and the contract between the District and Local #1 CST expires on June 30, 2013.

The classified employees in instructional aide and campus supervisor positions have assigned California School Employees Association ("CSEA") as their exclusive bargaining agent and the contract between the District and CSEA expires on June 30, 2013.

Insurance

The District is a member of CSAC Excess Insurance Authority ("CSAC-EIA"), Schools Excess Liability Fund ("SELF") and the Schools' Self Insurance of Contra Costa County ("SSICCC"), each a joint powers authority that provides various types of insurance to its members as requested. The District is self-insured for property and liability claims up to \$100,000 per property loss and \$100,000 per liability claim. Liability claims in excess of \$100,000 and up to \$900,000 are covered by a commercial insurance policy. The District's liability claims over \$900,000 are covered by SELF. Property claims in excess of \$100,000 are covered by a commercial insurance policy up to \$149,000,000.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's

compensation as are adequate, customary and comparable with such insurance maintained by similarly situated unified school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Growth

The District has experienced declines in student enrollment and average daily attendance in the past several years. The table below sets forth the enrollment and Average Daily Attendance (“ADA”) as well as the revenue limit per ADA for the District for the fiscal years ending 2009 through 2012 and an estimate for fiscal year ending June 30, 2013.

**MT. DIABLO UNIFIED SCHOOL DISTRICT
Enrollment and Average Daily Attendance
Fiscal Years 2008-09 through 2012- 13**

Fiscal Year	Enrollment	P-2 ADA	Change in ADA From Prior Year	Revenue Limit Per ADA
2008-09	34,953	33,208.96	-146.25	5,629.83
2009-10	34,200	32,661.65	-547.31	4,947.49
2010-11	34,088	32,536.57	-125.08	5,206.08
2011-12				
2012-13 ⁽¹⁾				

⁽¹⁾ Estimated.
Source: The District.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620. Current developer fees are \$2.97 per square foot for residential housing and \$0.47 per square foot for commercial or industrial development.

Fiscal Year	Developer Fees Collected
2007-08	\$1,685,522
2008-09	867,773
2009-10	645,453
2010-11	553,372
2011-12	

Source: The District.

State Funding of Education

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

The principal component of local revenues is a school district’s property tax revenues, i.e., each district’s share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h)

itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as “basic aid districts.” Districts that receive some State aid are commonly referred to as “revenue limit districts.” The District is a revenue limit district.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance (“ADA”). Generally, such apportionments will amount to the difference between the District’s revenue limit and the District’s local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e.*, unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year’s State revenue limit per ADA for each school district is multiplied by such school district’s ADA for either the current or prior year, whichever is greater. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year. See “MT. DIABLO UNIFIED SCHOOL DISTRICT - District Growth” for a recent history of the District’s ADA record.

State Budget

The District’s principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California’s budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriters, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Bond and Disclosure Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State**

budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.

2012-13 State Budget. The State budget for Fiscal Year 2012-13 (the “2012-13 Budget”) was signed by Governor Brown on June 27, 2012, and assumed voters would approve the Governor’s tax initiative on the November 2012 ballot. See “-Proposition 30” below. The 2012-13 Budget included a \$92 billion State spending plan and included significant welfare and social service cuts, restructured the State’s welfare program, streamlined health insurance for low-income children, and reduced childcare coverage and aid to California Community Colleges (“CCCs”). The 2012-13 Budget reformed CalWORKs by establishing a 2-year time limit for parents who are not meeting federal work requirements and merged the delivery of services for those who are eligible for both Medi-Cal and Medicare to reduce costs and improve the coordination of services. In addition, the 2012-13 Budget included the following changes: (i) eliminates the Healthy Families Program and transitions children to Medi-Cal; (ii) restructured funding for trial courts; (iii) prohibited CCCs and universities that are unable to meet minimum performance standards from participating in the Cal Grant Program; (iv) reformed the State process for K-14 education mandates by providing a block grant as an alternative to the existing claiming process; (v) reduced the cost of State employee compensation by five percent (5%); (vi) implemented various reductions to hospital and nursing home funding to lower Medi-Cal costs; (vii) reduced funding for child care programs and eliminates 14,000 child care slots; (viii) created a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services; and (ix) used a Fiscal Year 2011-12 overappropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. K-14 education funding would increase by approximately \$17.2 billion, or 37%, and per pupil funding would increase by over \$2,500 in the next four years.

The 2012-13 Budget included total funding of \$68.4 billion (\$37.9 billion General Fund and \$30.5 billion from other funds) for all K-12 education programs, including the following specific items:

Redevelopment Agency Asset Liquidation -- An increase of \$1.3 billion in local property taxes for Fiscal Year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduced the Proposition 98 minimum funding guarantee by an identical amount.

Proposition 98 Adjustments -- A decrease of approximately \$630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in Fiscal Year 2010-11, and (2) used a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduced current year appropriations for a number of different programs by \$220.1 million, backfilling those programs with one-time Proposition 98 General Fund.

Quality Education Investment Act (“QEIA”) -- The over-appropriation in Fiscal Year 2011-12 will be used to prepay the \$450 million required to be provided on top of the minimum guarantee in Fiscal Year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement. The program will be funded within the guarantee to achieve one-time savings of \$450 million for Fiscal Year 2012-13. Additionally, savings of \$181 million in Fiscal Year 2013-14 and \$40.8 million in Fiscal Year 2014-15 were achieved by using the remainder of the current year over appropriation to prepay a portion of the Fiscal Years 2013-14 and 2014-15 QEIA obligations.

K-12 Deferrals -- An increase of \$2.1 billion Proposition 98 General Fund to reduce K-12 inter-year budgetary deferrals from \$9.5 billion to \$7.4 billion.

Charter Schools -- An increase of \$53.7 million Proposition 98 General Fund for charter school categorical programs to fund growth in charter school enrollment. In addition to funding growth, legislation expanded the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance to charters by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to participate in the temporary revenue anticipation note mechanism already available to schools and county offices of education.

Mandates Block Grant -- An increase of \$86.2 million over the Fiscal Year 2011-12 funding level to provide a total of \$166.6 million for K-12 mandates through a new voluntary block grant. Participating school districts and county offices of education would receive \$28 per student, while participating charter schools would receive \$14 per student. Districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

Reduce Child Care Costs -- The Budget reflects total child care savings of \$294.3 million in non-Proposition 98 General Fund, resulting in the elimination of 14,000 child care slots.

Funding for the State Preschool Program -- An increase of \$163.9 million in Proposition 98 General Fund to cover the cost of part-day preschool services for 44,100 3- and 4-year olds.

Reduce Provider Contracts -- A decrease of \$30 million in Proposition 98 General Fund to reflect the 8.7% across-the-board reduction to general child care programs. Both preschool and general child care programs are administered by centers that contract directly with the Department of Education.

Suspend Statutory Cost-of-Living Adjustment -- A decrease of \$11.9 million in Proposition 98 General Fund.

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

Revenues generated by Proposition 30 will account for a 14 percent increase over fiscal year 2011-12 in funding for schools and CCCs as set forth in the 2012-13 State Budget. Almost all of this

increase will be used to pay for K-14 expenses from the previous year and reduces delays in certain State K-14 payments. Proposition 30 will also provide additional tax revenues aimed at balancing the State's budget through 2018-19, providing several billion dollars annually through fiscal year 2018-19 available for purposes including funding existing State programs, ending K-14 education delays, and paying other State debts. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings above or below the revenues projected, due to a majority of the additional revenue coming from the personal income tax rates imposed on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated revenues could create additional budget pressure in subsequent years.

Proposed 2013-14 State Budget. On January 10, 2013, Governor Brown announced his proposed budget for the State for fiscal year 2013-14 (the "Proposed 2013-14 Budget") which sets forth a balance of revenues and expenditures for fiscal year 2013-14. The Proposed 2013-14 Budget includes expenditures of approximately \$97.7 billion and revenues and existing fund balance of approximately \$99 billion. The approximately 5% growth in spending over 2012-13 levels will be focused on k-12 education, higher education and the State's Medicaid program. K-12 education will receive an increase in per pupil funding of approximately \$1,100 over 2012-13 levels. The Proposed 2013-14 Budget aims to eliminate the need for future tuition hikes at both the University of California and California State University systems. Under the Proposed 2013-14 Budget, funding to Medi-Cal would reach \$350 million in order to implement federal health care reform and provides alternative approaches to that implementation. The Proposed 2013-14 Budget predicts a General Fund ending balance of \$1 billion according to the Governor's plan.

The Proposed 2013-14 Budget proposes a new funding formula for K-12 education with the intent of providing more flexibility in school funding at the local level. The new funding formula eliminates most programmatic and compliance requirements currently in place in school finance. The Governor's new formula includes a base revenue limit funding grant (the "Base Grant") per ADA with additional supplemental funding (the "Supplemental Grant") based on the proportion of English language learner and free and reduced-price meal eligible students. Under the Governor's plan, the average Base Grant is intended to equal the current average undeficit revenue limit. The Supplemental Grant would equal 35% of the Base Grant and be available to local educational agencies that have over 50% of its total student population who are English language learners and free and reduced-price meal eligible. The local educational agency would receive the Supplemental Grant for each student above the 50% threshold.

Total per pupil expenditures provided for in the Proposed 2013-14 Budget are estimated at \$11,455 in 2012-13 and \$11,742 in 2013-14. Specific expenditures and program reforms related to K-12 education included in the Proposed 2012-13 Budget are as follows:

K-12 deferrals — An increase of approximately \$1.8 billion Proposition 98 General Fund to reduce inter-year budgetary deferrals. Combined with the \$2.2 billion provided in 2012-13 to retire inter-year deferrals, the total outstanding deferral debt for K-12 will be reduced to \$5.6 billion at the end of the 2013-14 fiscal year, and all remaining deferrals will be paid off by the end of the 2016-17 fiscal year.

New School District Funding Formula — Additional growth of approximately \$1.6 billion in Proposition 98 General Fund for school districts and charter schools in 2013-14, an increase of 4.5 percent.

New County Office of Education Funding Formula — An increase of \$28.2 million Proposition 98 General Fund to support first year implementation of a new funding formula for county offices of education in 2013-14.

Energy Efficiency Investments — An increase of \$400.5 million Proposition 98 General Fund to support energy efficiency projects in schools consistent with Proposition 39.

Charter Schools — An increase of \$48.5 million Proposition 98 General Fund to support projected charter school ADA growth.

Special Education — An increase of \$3.6 million Proposition 98 General Fund for Special Education ADA growth.

K-12 Mandates Funding — An increase of \$100 million to the K-12 portion of the mandates block grant to support costs associated with the Graduation Requirements and Behavioral Intervention Plans mandates.

Cost-of-Living Adjustment Increases — The Proposed 2013-14 Budget provides \$62.8 million to support a 1.65-percent cost-of-living adjustment for a select group of categorical programs that will remain outside of the new student funding formula, including Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school district and county office of education revenue limits will be provided in the form of new funding allocated for the implementation of the new funding formulas.

Emergency Repair Program — An increase of \$9.7 million one-time Proposition 98 General Fund Reversion Account for the Emergency Repair Program.

Local Property Tax Adjustments — An increase of \$526.6 million Proposition 98 General Fund for school district and county office of education revenue limits in 2012-13 as a result of lower offsetting property tax revenues. An increase of \$608.6 million in Proposition 98 General Fund for school districts and county offices of education in 2013-14 as a result of reduced offsetting local property tax revenues.

Average Daily Attendance — An increase of \$304.4 million in 2012-13 for school district and county office of education revenue limits as a result of an increase in projected ADA from the 2012 Budget Act. An increase of \$2.8 million in 2013-14 for school districts and county offices of education as a result of projected growth in ADA for 2013-14.

Child Nutrition Program — An increase of \$77 million for 2013-14 in federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

Funding CTA v. Schwarzenegger— The revised 2012-13 Proposition 98 guarantee will be \$162.8 million below the level of General Fund appropriated in 2012-13. The Budget proposes that this

amount be used to retire future funding obligations under the terms of the *CTA v. Schwarzenegger* settlement agreement.

The District cannot predict how State income or State education funding will vary over the term of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is generally posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Cash Management Legislation. Since 2003, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments within a fiscal year from one month to a subsequent month and deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to Fiscal Year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to manage the State's cash resources. With respect to K-12 schools, SB 82 set forth a specific deferral plan for K-12 education payments (the "2011-12 Deferral Plan"). On May 23, 2012, the Governor signed into law Assembly Bill 103 (Chapter 13, Statutes of 2012) ("AB 103") which extended certain provisions of SB 82 into Fiscal Year 2012-13. AB 103 addressed the State's ongoing cash crisis by deferring a variety of K-12 payments within Fiscal Year 2012-13 and required that Fiscal Year 2012-13 K-12 payments that would otherwise be made in four separate months be deferred and repaid later in Fiscal Year 2012-13. Specifically, Government Code Section 16326(a)(2) requires that \$1.2 billion in K-12 payments be deferred from July 2012, with \$700 million paid in September 2012 and \$500 million paid in January 2013; \$600 million be deferred from August 2012 to January 2013; \$800 million be deferred from October 2012 to January 2013; and \$900 million be deferred from March 2013 to April 2013.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. With the aid of Proposition 25 (budget passage with a simple majority and legislature forfeiture of daily salary until the budget bill passes), the Governor signed the 2011-12 Budget on June 30, 2011. However, the State Legislature failed to pass a State budget for fiscal year 2010-11 until October 8, 2010, the latest budget in the State's history. The District cannot fully anticipate the impact of future delays in State budget adoption. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

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

Litigation Challenging State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution.

On January 14, 2011, the Superior Court dismissed major portions of the Robles Complaint, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. See "MT. DIABLO UNIFIED SCHOOL DISTRICT – State Budget" above. The CSBA Petition

seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the Robles Complaint or the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint or the CSBA Petition will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint or the CSBA Petition would affect the financial status of the District or the State.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Christy White, A Professional Accountancy Corporation, San Diego, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2011, are attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see "APPENDIX C."

***Ad Valorem* Property Taxes**

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and

judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 98

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 grade kindergarten to 14 ("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, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee 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. 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%.

Under implementing legislation (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 of California) 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 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 (“ADA”) and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as “Test 3,” 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 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 88, 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.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State’s annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a “continuing appropriation” enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller’s Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal’s decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State 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. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO analysis of Proposition 22 submitted by 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 would 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, will be an increase in the State's General Fund costs by approximately \$1 billion annually for several decades.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIII A

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various

jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

Under Article XIII B of the California State Constitution state and local government entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the “State Lottery”), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2011-12, the District received \$_____ in State Lottery aid and has budgeted \$_____ for such aid in 2012-13. At this time, the amount of additional revenues that may be generated by the State Lottery in

any given year cannot be predicted. See “MT. DIABLO UNIFIED SCHOOL DISTRICT - State Budget” herein.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

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

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

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

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval

by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District’s voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District’s ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26 and 98 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting the District’s revenues or their ability to expend revenues.

THE CONTRA COSTA COUNTY TREASURY POOL

This section provides a general description of the County’s investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the Treasurer for inclusion in this Official Statement. Neither the District nor the Underwriters make any representation as to the

accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County of Contra Costa, Finance Building, Room 100, 625 Court Street, Martinez, California 94553.

The Treasurer manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement (including the Debt Service Fund of the District). Amounts held for the County, school districts and special districts located within the County constitute most of the County Pool. The Treasurer is the *ex officio* treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals are allowed only to pay for expenses, which have become due. The remaining amounts in the County Pool are not legally required to be maintained in the County Pool and can be withdrawn by the depositors for whom these amounts are held, provided such withdrawals conform to legal mandates and procedures.

Each governing board of school districts and special districts within the County may allow, by appropriate board resolutions, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. Some districts have from time to time authorized the Treasurer to purchase specified investments for certain district funds to mature on predetermined future dates when cash would be required for disbursements.

Funds held in the County Pool are invested by the Treasurer in accordance with State law and the County's investment policy, which is prepared by the Treasurer and approved by the Contra Costa County Board of Supervisors. The District's bond proceeds will be invested at the direction of the District. The Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District will maintain or cause to be maintained detailed records with respect to the applicable proceeds. The current investment policy was adopted by the Board of Supervisors in June 2012. The policy statement sets forth the Treasurer's investment objectives, which are, in order of importance, safety of principal, liquidity, and yield. In addition, the County's investment policy describes the instruments eligible for inclusion in the investment portfolio and the limitations applicable to each type. An Investment Oversight Committee meets quarterly to advise the County on any future changes in investment policy as well as to regularly monitor and report on the investment performance of the County Pool.

As of September 30, 2012, over 80% or over \$1.32 billion of the County Pool was invested in maturities of less than one year. As of that date, the weighted average maturity of the County Pool was approximately 193 days. A detailed description of the composition, cost, par value and market value of the County Pool is provided in the following table.

**CONTRA COSTA COUNTY TREASURY POOL
AS OF SEPTEMBER 30, 2012**

Type	Par Value	Cost	Fair Value	Percent of Total Cost
A. Investments Managed by Treasurers Office				
U.S. Treasuries (STRIPS, Bills, Notes)				
U.S. Agencies				
Federal Agriculture Mortgage Corp.				
Federal Home Loan Banks				
Federal National Mortgage Assoc.				
Federal Farm Credit Banks				
Federal Home Loan Mortgage Corp.				
Municipal Bonds				
Subtotal				
Money Market Instruments				
Bankers Acceptances				
Repurchase Agreements				
Commercial Paper				
Negotiable Certificates of Deposit				
Corporate Notes				
Time Deposit				
Subtotal				
TOTAL				
B. Investments Managed by Outside Contractors				
Local Agency Investment Fund				
Other				
California Asset Management Program				
Miscellaneous (BNY, Mechanics)				
Wells Fargo Asset Management				
Columbia Management Group				
CalTRUST				
Subtotal				
TOTAL				
C. Cash				
GRAND TOTAL				

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 270 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2012-13 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). In the past five years, the District has never failed to comply with its continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Matt Juhl-Darlington & Associates, Chico, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge, a form of which is attached hereto as Exhibit A-1. A copy of the legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel to the District ("Special Tax Counsel") will be attached to the Bonds, a form of which is attached hereto as Exhibit A-2. Matt Juhl-Darlington & Associates is also acting as Disclosure Counsel to the District. Kutak Rock LLP is acting as counsel to the Underwriters ("Underwriters' Counsel"). Bond Counsel, Disclosure Counsel, Special Tax Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for

purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

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

In the further opinion of Special Tax Counsel, interest on the Bonds is exempt from California personal income taxes.

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

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

Form of Special Tax Counsel Opinion. The form of the proposed opinion of Special Tax Counsel relating to the Bonds is attached to this Official Statement as Appendix A-2.

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Service ("Moody's") has assigned its underlying municipal bond rating of "___" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund together with investment earnings thereon to pay the principal, accrued interest and redemption premium requirements of the Refunded Bonds on June 1, 2014 will be verified by Causey, Demgen & Moore, Inc., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, as representative of itself and George K. Baum & Company, has agreed to purchase the Bonds at the purchase price of \$_____ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of \$_____ less an Underwriters' discount of \$_____ and payment of certain costs of issuance in the amount of \$_____), at the rates and yields shown on the cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519.

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

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

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A-1

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 94519

Re: \$ Mt. Diablo Unified School District General Obligation Refunding Bonds,
Election of 2002, Series C

Ladies and Gentlemen:

We have acted as bond counsel for the Mt. Diablo Unified School District, County of Contra Costa, State of California (the "District"), in connection with the issuance by the District of \$_____ aggregate principal amount of the District's General Obligation Refunding Bonds, Election of 2002, Series C (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended and that certain resolution adopted by the Board of Education of the District on _____, 2013 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The 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.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

We express no opinion with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Matt Juhl-Darlington & Associates

APPENDIX A-2

FORM OF SPECIAL TAX COUNSEL OPINION

_____, 2013

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 92780

OPINION: \$_____ Mt. Diablo Unified School District (Contra Costa County, California)
General Obligation Refunding Bonds, Election of 2002, Series C

Members of the Board of Education:

We have acted as special tax counsel to the Mt. Diablo Unified School District (the “District”) in connection with the issuance by the District, of the above-captioned bonds (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Bonds are issued pursuant to a resolution of the Board of Education of the District adopted on _____, 2013. Regarding questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy of the final approving opinion relating to the Bonds (the “Bond Counsel Opinion”) of Matt Juhl-Darlington & Associates, Bond Counsel, as to the matters covered in the Bond Counsel Opinion. We note that the Bond Counsel Opinion is subject to a number of qualifications and limitations. Failure of any of the matters covered in the Bond Counsel Opinion to be true may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Based on the foregoing, we are of the opinion that, under existing law:

1. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal tax

purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX B

SELECTED INFORMATION REGARDING THE COUNTY OF CONTRA COSTA

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriters. The District comprises only a portion of the County of Contra Costa, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

County of Contra Costa

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in California, with its population reaching approximately 1,065,117 as of January 1, 2012.

The County provides services to residents through departments and agencies including the Departments of Building Inspection, Community Development, Economic & Redevelopment, Airports, Flood Control, Parks, and Road and Transportation. Each city within the County provides for local services such as police, fire, water, and various other services normally associated with municipalities.

Government

The County is governed by a County Administrator and a Board of Supervisors of five members. Each supervisor is responsible for one of five districts within the County.

The County Administrator's Office is responsible for staffing the Board and Board committees, planning and overseeing County operations, and ensuring that Board policies are carried out in the most efficient and service oriented manner.

The duties and responsibilities of the Board of Supervisors include appointing County department heads and employees, providing for the compensation of all County officials and employees, creating officers, boards and commissions as needed, awarding all contracts for Public Works and all other contracts exceeding \$25,000, adopting an annual budget, and supervising the operations of departments and exercising executive and administrative authority through the County government and County Administrator.

Population

The population of Pleasant Hill, Concord and Walnut Creek, as well as the population in the County for calendar years 2008 through 2012 is presented in the following table.

**CITIES OF PLEASANT HILL, CONCORD AND WALNUT CREEK
AND THE COUNTY
Calendar Years 2008 through 2012**

Year	City of Pleasant Hill	City of Concord	City of Walnut Creek	Contra Costa County
2008	32,793	120,592	63,339	1,027,264
2009	32,963	121,285	63,786	1,038,390
2010	33,139	122,009	64,140	1,047,948
2011	33,279	122,676	64,707	1,056,064
2012	33,440	123,206	65,233	1,065,117

Data shown as of 2000 Census benchmark for 2007 through 2009 and as of 2010 Census benchmark for 2010 through 2012.
Source: California State Department of Finance.

Employment

The civilian labor force in the County consists of an average of 524,100 workers as of 2011. The total employment component of the labor force is 469,600. County residents seeking employment averaged 54,500 during 2011. The following table provides the labor force, employment, unemployment and unemployment rate in the County, the State and the United States from 2007 through 2011.

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CONTRA COSTA COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment⁽¹⁾

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽²⁾
2007				
Contra Costa County	519,700	495,400	24,300	4.7%
California	18,391,800	17,108,700	969,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
Contra Costa County	529,200	496,400	32,700	6.2
California	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,200	8,924,000	5.8
2009				
Contra Costa County	526,000	471,700	54,300	10.3
California	18,250,200	16,169,700	2,080,500	11.4
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Contra Costa County	522,400	463,700	58,700	11.2
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Contra Costa County	524,100	469,600	54,500	10.4
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9

⁽¹⁾ Data reflects employment status of individuals by place of residence.

⁽²⁾ Unemployment rate is based on unrounded data.

Source: California State Employment Development Department and U.S. Department of Labor.

[Remainder of page intentionally left blank]

Major Employers Within the County

Although the County is primarily suburban, the County is host to a diverse mix of major employers representing industries ranging from government and health services to diversified manufacturing. The following table lists the County's major employers.

COUNTY OF CONTRA COSTA MAJOR EMPLOYERS

Employer	No. of Employees	Location	Industry
Chevron Corp	5,000-9,999	San Ramon	Oil Refiners (Manufacturers)
Chevron Global Downstream LLC	1,000-4,999	San Ramon	Petroleum Products (Wholesale)
Contra-Costa Regional Medical Center	1,000-4,999	Martinez	Hospitals
Doctor's Medical Center	1,000-4,999	San Pablo	Hospitals
John Muir Medical Center	1,000-4,999	Walnut Creek	Hospitals
John Muir Medical Center	1,000-4,999	Concord	Hospitals
John Muir Physical Rehab.	1,000-4,999	Concord	Rehabilitation Services
Kaiser Permanente Medical Center	1,000-4,999	Walnut Creek	Clinics
Kaiser Permanente Medical Center	1,000-4,999	Walnut Creek	Hospitals
St. Mary's College of California	1,000-4,999	Moraga	Schools – Universities & Colleges Academic
USS-POSCO Industries	1,000-4,999	Pittsburg	Steel Mills (Manufacturers)
Bank of the West	500-999	Walnut Creek	Banks
Bio-Rad Laboratories Inc	500-999	Hercules	Laboratory
C & H Sugar	500-999	Crockett	Sugar Refiners (Manufacturers)
Concord Naval Weapons Station	500-999	Concord	Federal Government-National Security
Department of Veteran Affairs	500-999	Martinez	Physicians & Surgeons
MuirLab	500-999	Richmond	Laboratories – Medical
Richmond City Offices	500-999	Richmond	Gov. Offices – City, Village & Township
San Ramon Regional Medical Center	500-999	San Ramon	Hospital
Shell Martinez Refinery	500-999	Martinez	Oil Refiners (Manufacturers)
Shell Oil Products Company	500-999	Martinez	Service Stations – Gasoline & Oil
Sutter Delta Medical Ctr.	500-999	Antioch	Hospitals
Tesoro Golden Eagle Refinery	500-999	Pacheco	Oil Refiners (Manufacturers)
VA Outpatient Clinic	500-999	Martinez	Physicians & Surgeons

Source: California Employment Development Department, America's Labor Market Information System Employer Database, 2010 1st Edition.

Industry

The table on the following page shows the estimated employment by industry group for 2007 through 2011, the most recent data available.

**COUNTY OF CONTRA COSTA
NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES
2007 through 2011 by Class of Work**

	2007	2008	2009	2010	2011
Goods Producing	49,700	46,500	40,200	36,500	
Wholesale and Retail Trade	53,500	52,500	49,000	47,700	
Transportation and Public Utilities	8,800	8,900	8,400	7,800	
Finance, Insurance, and Real Estate	29,100	26,600	25,600	25,600	
Other Services	12,500	12,400	11,700	11,700	
Government	52,200	52,600	51,800	48,900	
Non Agriculture Total	346,800	339,500	320,900	311,600	

Source: California State Employment Development Department.

Building Permits

The following table provides a summary of the building permit valuations, and the number of new dwelling units authorized in the County from 2006 through 2010. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

**COUNTY OF CONTRA COSTA
Building Permit Valuations and Number of Dwelling Units
2006 through 2010**

	2006	2007	2008	2009	2010
<u>Valuation</u> ⁽¹⁾					
Residential	\$1,451,820	\$1,216,666	\$661,935	\$504,632	\$552,365
Nonresidential	412,505	491,318	459,935	314,305	285,419
Total	\$1,864,325	\$1,707,984	\$1,121,870	\$818,937	\$837,784
<u>Number of New Dwelling Units</u>					
Single Family	3,310	2,698	985	1,038	808
Multiple Family	1,178	909	909	163	890
Total	4,488	3,607	1,894	1,201	1,698

⁽¹⁾ Valuation in thousands.

Source: Construction Industry Research Board.

Commercial Activity

Taxable transactions in the County occur in an extensive variety of commercial stores. Transactions from 2006 through 2010 are summarized on the following page.

COUNTY OF CONTRA COSTA
Taxable Sales

	2006	2007	2008	2009	2010
Sales Tax Permits	23,249	23,181	23,149	21,395	21,784
Taxable Sales (in thousands)	\$13,867,661	\$14,086,295	\$13,307,681	\$11,883,049	\$11,953,846

Source: California State Board of Equalization.

Transportation

Centrally located in the east bay region of the San Francisco bay area, the County is accessible to major transportation resources including Bay Area Rapid Transit which connects five counties including the San Francisco peninsula, Oakland, Berkeley, Fremont, Walnut Creek, Pleasant Hill, Concord Dublin/Pleasanton, and other cities within and without the County. The County is also in close proximity to Highways 5, 205, 580 and 680 as well as approximately 20 miles east of Oakland International Airport and 30 miles northeast of San Francisco International Airport providing for convenient interstate transportation. The County is also home to two non-commercial airports; Buchanan Field Airport and Byron Airport, located in Concord and Byron, respectively.

Education

The County is comprised of 19 school districts, 5 community colleges, and is both home to and has access to major universities, including California State University, East Bay, University of California, Berkeley, Mills College, San Francisco State University, Golden Gate University, St Mary’s College of California and John F. Kennedy University. The District serves approximately one-third of the County and is the largest school district within the County.

Community Facilities and Recreation

The County is home to Mt. Diablo State Park (the “Park”), which was designated a State park in 1921. Within the Park, Mount Diablo has an elevation of 3,849 feet providing a view west across the Golden Gate Bridge to the Farallon islands, southeast to the James Lick Observatory, south to the Santa Cruz mountains, east to the San Joaquin and Sacramento Rivers and north to Mount Saint Helens and Mount Lassen in the Cascades. The Park’s 22,000 acres consist mostly of typical central California oak and grassland country with extensive areas of chaparral. Areas of riparian woodland, knobcone pine and coulter pine are also scattered throughout the park. Over 400 species of plants have been identified within the park as well as abundant wildlife including deer, raccoons, gray fox, bobcat, mountain lions and striped and spotted skunks. The Park provides guided hiking, rock climbing horseback riding, biking, camping and picnic facilities for visitors.

The County also contains numerous local parks and recreation facilities including Lefty Gomez Recreation Building and Ball Field Complex, an 11 acre park with ball fields, tennis courts, playground equipment, picnic and barbecue facilities and a community center, Montalvin Park, a seven acre community park with a basketball court, a tennis court and picnic facilities, MonTaraBay Park Community Center and Ball Field Complex, a four acre complex with a ball field and community center and Rodeo Creek Trail, a two and a half mile trail with indigenous trees, shrubs, grasses and wildflowers.

APPENDIX C

**MT. DIABLO UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Mt. Diablo Unified School District (the “District”) in connection with the execution and delivery of \$_____ aggregate principal amount of the District’s General Obligation Refunding Bonds Election of 2002, Series C (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District (the “Board”) on _____, 2013 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg a Division of Stifel Nicolaus and George K. Baum & Company (collectively, the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

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

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

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Chief Financial Officer (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 6.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

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

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 270 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2013, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

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

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

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

(i) General fund budget and actual results;

(ii) Assessed valuations;

(iii) Largest local secured taxpayers; and

(iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which

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

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) Modifications of rights to Bondholders;
- (iii) Optional, unscheduled or contingent Bond calls;
- (iv) Release, substitution or sale of property securing repayment of the Bonds;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.

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

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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

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

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

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

liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

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

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

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

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

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

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

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

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

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

Dated: _____, 2013

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mt. Diablo Unified School District

Name of Issue: \$_____ General Obligation Refunding Bonds, Election of 2002, Series C

Date of Issuance: _____, 2013

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

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

General

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

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

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

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

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

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