

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
August 4, 2011

SUBJECT: Resolution No. 2011-229 – Corona-Norco Unified School District Election of 2006 General Obligation Bonds, Series E (Vote on Separately)

RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2011-229 authorizing the issuance and sale of general obligation bonds on behalf of Corona-Norco Unified School District (the "District") in a principal amount not to exceed \$21,572,878.35.

BACKGROUND: California law requires that the general obligation bonds of a school district be offered for sale by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over the district and when the district wishes to offer its bonds via a negotiated sale. Although a board of supervisors is authorized to opt out of that requirement, your Honorable Board has not adopted the necessary enabling resolution. At the same time the County Treasurer has taken the position that school districts should not be negotiating the sale of bonds without his participation.
(Continued on page two)

Don Kent, Treasurer-Tax Collector

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY:
Karen L. Johnson

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 8/3/11
DATE: 8/3/11
Departmental Concurrence

Consent Policy
 Consent Policy

Dep't Recomm.:
 Per Exec. Ofc.:

Date: August 4, 2011
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The Riverside County Superintendent of Schools has jurisdiction over the Corona-Norco Unified School District which is planning to issue and sell bonds via a negotiated sale. Therefore the Education Code provides that the Riverside County Board of Supervisors is responsible for issuing and selling these District bonds, via a negotiated sale, on behalf of the District. To that end, the District's Board of Trustees adopted a resolution requesting this Board to sell the District's general obligation bonds in an aggregate principal amount not to exceed \$21,572,878.35.

An election was held on November 7, 2006, pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A and subdivision (b) of Section 18 of Article XVI of the California Constitution and Section 15266 of the Education Code which codifies, in part, Proposition 39. During that election, a measure authorizing the District to incur general obligation bonded indebtedness in an aggregate principal amount not to exceed \$250,000,000 was approved by more than 55% of the qualified voters voting on the measure.

The District has previously issued \$228,427,121.65 of general obligation bonds pursuant to the voter-approved measure. The Series E Bonds represent the final series of bonds to be issued under this authorization.

Resolution No. 2011-229 authorizes the issuance and sale of Corona-Norco Unified School District, Election of 2006, General Obligation Bonds, Series E in an aggregate principal amount not to exceed \$21,572,878.35 as requested by the District. The Series E Bonds will be issued and sold for the purpose of financing the construction, rehabilitation, and improvement of various school facilities for the District.

The Series E Bonds represent general obligations of the District; the Series E Bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series E Bonds.

The Office of County Counsel has reviewed Resolution No. 2011-229 and has approved it as to form.

RESOLUTION NO. 2011-229

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AUTHORIZING THE SALE AND ISSUANCE OF CORONA-NORCO UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA, SERIES E BONDS IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$21,572,878.35

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1 RESOLUTION NO. 2011-229

2 **RESOLUTION OF THE BOARD OF SUPERVISORS OF THE**
3 **COUNTY OF RIVERSIDE, CALIFORNIA, AUTHORIZING**
4 **THE SALE AND ISSUANCE OF CORONA-NORCO UNIFIED**
5 **SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA,**
6 **ELECTION OF 2006 GENERAL OBLIGATION BONDS**
7 **SERIES E IN THE PRINCIPAL AMOUNT NOT TO EXCEED**
8 **\$21,572,878.35**

9 WHEREAS, a duly called election was held in the Corona-Norco Unified School District (the
10 "District"), Riverside County (the "County"), State of California, on November 7, 2006, at which the
11 following proposition along with the Full-Text Ballot Proposition attached hereto as Exhibit D
12 (collectively, "Measure U") was submitted to the qualified electors of the District:

13 "To improve learning and prepare for enrollment growth at Corona, Norco, Eastvale
14 and Temescal Valley schools, shall Corona-Norco Unified School District:

- 15 • Build new classrooms, elementary, intermediate and high schools;
- 16 • Increase kindergarten classrooms;
- 17 • Add school libraries;
- 18 • Create reading, science and computer labs;
- 19 • Upgrade security, sprinklers, smoke detectors and fire doors;

20 By issuing \$250 million in bonds at legal interest rates, with annual financial audits,
21 citizens' oversight, and no money for administrators' salaries?"

22 WHEREAS, at such election Measure U received the affirmative vote of more than fifty-five
23 percent of the qualified electors of the District voting on the proposition as certified by the Registrar
24 of Voters of the County of Riverside in the official canvassing of votes; and

25 WHEREAS, at this time this Board has received a signed, certified copy of the resolution of
26 the governing board of the District adopted on July 19, 2011 requesting the issuance of Election of
27 2006 General Obligation Bonds Series E (the "Series E Bonds") in an aggregate principal amount not
28 to exceed \$21,572,878.35 which is attached hereto as Exhibit A; and

FORM APPROVED COUNTY COUNSEL

BY *[Signature]* DATE 9/3/11
DALE A. GARDNER

1 WHEREAS, the Series E Bonds will be issued under and pursuant to the provisions of
2 Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of
3 California and Article XIII A of the California Constitution (the "Authorizing Law"); and

4 WHEREAS, the Board desires to authorize the issuance of the Series E Bonds in any
5 combination of Current Interest Bonds, Capital Appreciation Bonds, and Convertible Capital
6 Appreciation Bonds, all as defined herein; and

7 WHEREAS, the District desires to authorize the sale of the Bonds at a negotiated sale, which
8 the District has determined provides more flexibility in the timing of the sale, an ability to implement
9 the sale in a shorter time period, an increased ability to structure the Series E Bonds to fit the needs
10 of particular purchasers, and a greater opportunity for Piper Jaffray & Co. (the "Underwriter") to pre-
11 market the Series E Bonds to potential purchasers prior to the sale, all of which the District has
12 determined will contribute to the District's goal of achieving the lowest overall cost of funds; and

13 WHEREAS, in its resolution, the District found and informed this Board that all acts,
14 conditions and things required by law to be done or performed have been done and performed in
15 strict conformity with the laws authorizing the issuance of general obligation bonds of the District,
16 and the indebtedness of the District, including this proposed issue of Series E Bonds, is within all
17 limits prescribed by law;

18 NOW, THEREFORE, IT IS FOUND, DETERMINED, ORDERED AND RESOLVED BY
19 THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AS
20 FOLLOWS:

21 **Section 1. Purpose of the Series E Bonds.** The Series E Bonds of the District shall be
22 issued in the name and on behalf of the District in an aggregate Principal Amount not to exceed
23 \$21,572,878.35. The proceeds of such issue will be used for the construction, reconstruction,
24 rehabilitation or replacement of school facilities, sites, furnishings and equipment, including the
25 prepayment of any of the lease payments owing by the District on leases entered into to finance such
26 items on an interim basis, as listed in Measure U, a copy of which is attached hereto as Exhibit D
27 (collectively, the "Projects").
28

1 **Section 2. Terms and Conditions of Sale.** The Series E Bonds shall be sold at a
2 negotiated sale pursuant to the Authorizing Law in accordance with the terms of this Resolution. The
3 Series E Bonds shall be sold pursuant to the terms and conditions set forth in the Purchase Contract,
4 as described in Section 3 below.

5 **Section 3. Approval of Purchase Contract.** The form of Contract of Purchase (the
6 “Purchase Contract”), by and among the County, the District and the Underwriter, for the purchase
7 and sale of the Series E Bonds, is hereby approved substantially in the form attached hereto as
8 Exhibit B. The Treasurer-Tax Collector of the County (the “Treasurer”), or designated deputy
9 thereof, is hereby authorized to execute and deliver the Purchase Contract, and the Superintendent or
10 any Assistant Superintendent of the District is hereby authorized and requested to acknowledge the
11 execution of such Purchase Contract, if necessary, but with such changes therein, deletions therefrom
12 and modifications thereto as the Treasurer, or designated deputy thereof, may approve, such approval
13 to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that
14 the Series E Bonds shall mature no later than forty (40) years from the date of issue, the maximum
15 interest rate on the Series E Bonds computed for the issue as a whole shall not exceed 12.00% per
16 annum and the Underwriter’s discount, excluding original issue discount, shall not exceed 1.50% of
17 the aggregate principal amount of Series E Bonds issued. The Authorized Representative of the
18 District (defined below) executing the Purchase Contract shall determine the final principal amount
19 of the Series E Bonds, not to exceed \$21,572,878.35, and shall determine whether to purchase
20 municipal bond insurance for all or a portion of the Series E Bonds.

21 **Section 4. Certain Definitions.** As used in this Resolution, the terms set forth below
22 shall have the meanings ascribed to them:

23 “Accreted Interest” means, with respect to Capital Appreciation Bonds and Convertible
24 Capital Appreciation Bonds, the Accreted Value thereof minus the Principal Amount thereof as of
25 the date of calculation.

26 “Accreted Value” means, as of the date of calculation, with respect to Capital Appreciation
27 Bonds and Convertible Capital Appreciation Bonds prior to the Conversion Date, the Principal
28

1 Amount thereof plus Accreted Interest thereon to such date of calculation, compounded semiannually
2 on each February 1 and August 1, commencing on February 1, 2012 (unless otherwise provided in
3 the Purchase Contract) at the stated Accretion Rate thereof, assuming in any such semiannual period
4 that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve
5 30-day months.

6 “Accretion Rate” means, unless otherwise provided by the Purchase Contract, that rate
7 which, when applied to the Principal Amount of a Capital Appreciation Bond or a Convertible
8 Capital Appreciation Bond, and compounded semiannually on each February 1 and August 1
9 (commencing on February 1, 2012), produces the Maturity Value on the maturity date (with respect
10 to Capital Appreciation Bonds) and the Conversion Value on the Conversion Date (with respect to
11 Convertible Capital Appreciation Bonds).

12 “Authorizing Law” means, collectively, (i) Article 4.5 of Chapter 3, Part 1, Division 2, of
13 Title 5 of the Government Code of the State of California, and (ii) Article XIII A of the California
14 Constitution.

15 “Authorized Representative of the District” means each of the Superintendent of the District,
16 the Assistant Superintendent, Business Services, the Assistant Superintendent, Facilities and their
17 designees.

18 “Board” means the Board of Supervisors of the County.

19 “Bond Insurer” means any insurance company which issues a municipal bond insurance
20 policy insuring the payment of Principal Amount of and interest, including Accreted Interest, on the
21 Series E Bonds.

22 “Bond Obligation” means, from time to time as of the date of calculation, with respect to any
23 Current Interest Bond, the Principal Amount thereof and, with respect to any Capital Appreciation
24 Bond, the Accreted Value thereof, and, with respect to any Convertible Capital Appreciation Bond,
25 prior to the Conversion Date the Accreted Value thereof and after the Conversion Date the
26 Conversion Value thereof.

1 "Bond Payment Date" means (unless otherwise provided by the Purchase Contract), with
2 respect to the Current Interest Bonds, February 1 and August 1 of each year commencing February 1,
3 2012 with respect to interest payments thereon and August 1 of each year commencing August 1,
4 2012 with respect to principal payments thereof, and, with respect to the Capital Appreciation Bonds,
5 the stated maturity dates thereof, and, with respect to a Convertible Capital Appreciation Bond,
6 February 1 and August 1 of each year following its Conversion Date and the stated maturity date
7 thereof.

8 "Bond Register" means the listing of names and addresses of the current registered owners of
9 the debt, as maintained by the Paying Agent in accordance with Section 10 hereof.

10 "Building Fund" means the Corona-Norco Unified School District 2006 General Obligation
11 Bond Building Fund, Series E established pursuant to Section 14 of this Resolution.

12 "Business Day" means a day which is not a Saturday, Sunday or a day on which banking
13 institutions in the State or the State of New York and the New York Stock Exchange are authorized
14 or required to be closed.

15 "Capital Appreciation Bonds" means the Series E Bonds the interest component of which is
16 compounded semiannually on each February 1 and August 1 of each year, commencing February 1,
17 2012 (or such other dates as shown in the Purchase Contract), to maturity as shown in the table of
18 Accreted Values for such Bonds in the Official Statement.

19 "Code" means the Internal Revenue Code of 1986, as amended.

20 "Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure
21 Agreement executed by the District in connection with the delivery of the Series E Bonds, as
22 originally executed and as it may be amended from time to time in accordance with the terms thereof.

23 "Conversion Date" means, with respect to Convertible Capital Appreciation Bonds, the date
24 or dates stated in the Purchase Contract as the date or dates on which such Series E Bonds, originally
25 issued as Capital Appreciation Bonds, convert to Current Interest Bonds.

26 "Conversion Value" means, with respect to a Convertible Capital Appreciation Bond, the
27 Accreted Value as of the Conversion Date.

1 "Convertible Capital Appreciation Bonds" means the Series E Bonds the interest component
2 of which is compounded semiannually on each February 1 and August 1 of each year, commencing
3 February 1, 2012 (or such other dates as shown in the Purchase Contract), to the Conversion Date as
4 shown in the table of Accreted Values for such Series E Bonds in the Official Statement and is
5 payable after the Conversion Date on each Bond Payment Date.

6 "Costs of Issuance" means all of the costs of issuing the Series E Bonds, including, but not
7 limited to, all printing and document preparation expenses in connection with this Resolution, the
8 Series E Bonds and the Official Statement pertaining to the Series E Bonds and any and all other
9 agreements, instruments, certificates or other documents prepared in connection therewith; financial
10 advisory fees; underwriter's fees; rating agency fees; auditor's fees; CUSIP service bureau charges;
11 legal fees and expenses of counsel with respect to the financing; the initial fees and expenses of the
12 Paying Agent; fees for credit enhancement relating to the Bonds; and other fees and expenses
13 incurred in connection with the issuance of the Series E Bonds or the implementation of the
14 financing for the Projects, to the extent such fees and expenses are approved by the District.

15 "Costs of Issuance Fund" means the Corona-Norco Unified School District 2006 General
16 Obligation Costs of Issuance Fund, Series E, established pursuant to Section 14 of this Resolution.

17 "County" means the County of Riverside, California.

18 "Current Interest Bonds" means the Series E Bonds the interest on which is payable on each
19 Bond Payment Date specified for each such Series E Bond as designated and maturing in the years
20 and in the amounts set forth in the Purchase Contract.

21 "Date of Issuance" means the date on which the Series E Bonds are delivered to the
22 Underwriter thereof.

23 "Debt Service Fund" means the Corona-Norco Unified School District 2006 General
24 Obligation Bond Debt Service Fund, Series E, established pursuant to Section 14 of this Resolution.

25 "Depository" means the securities depository acting as Depository pursuant to Section 12
26 hereof.

27 "District" means the Corona-Norco Unified School District.
28

1 "DTC" means The Depository Trust Company, New York, New York, a limited purpose trust
2 company organized under the laws of the State of New York in its capacity as securities depository
3 for the Series E Bonds.

4 "Series E Bonds" means the Corona-Norco Unified School District 2006 General Obligation
5 Bonds Series E, issued and delivered pursuant to this Resolution.

6 "Information Services" means national information services that disseminate securities
7 redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange
8 Commission, such other services providing information with respect to called bonds as the District
9 may specify in a certificate to the County and the Paying Agent or as the Paying Agent may select.

10 "Maturity Value" means the Accreted Value of any Capital Appreciation Bond on its
11 maturity date.

12 "Nominee" means the nominee of the Depository, which may be the Depository, as
13 determined from time to time pursuant to Section 12 hereof.

14 "Outstanding", when used with reference to the Series E Bonds, means, as of any date,
15 Series E Bonds theretofore issued or thereupon being issued under this resolution except:

16 (a) Series E Bonds canceled at or prior to such date;

17 (b) Series E Bonds in lieu of or in substitution for which other Series E Bonds
18 shall have been delivered pursuant to Section 10 hereof; or

19 (c) Series E Bonds for the payment or redemption of which funds or United
20 States Obligations in the necessary amount shall have been set aside (whether on or prior to the
21 maturity or redemption date of such Series E Bonds), in accordance with Section 16 or 17 of this
22 Resolution.

23 "Owner" means the registered owner of a Series E Bond as set forth on the registration books
24 maintained by the Paying Agent pursuant to Section 10 hereof.

25 "Participants" means those broker-dealers, banks and other financial institutions from time to
26 time for which the Depository holds book-entry certificates as securities depository.

1 "Paying Agent" means U.S. Bank National Association or any successor entity designated in
2 accordance with Section 8 hereof to act in such capacity.

3 "Principal" or "Principal Amount" means, with respect to any Current Interest Bond, the
4 principal amount thereof and, with respect to any Capital Appreciation Bond and Convertible Capital
5 Appreciation Bonds, the initial principal amount thereof.

6 "Projects" shall have the meaning given to that term in Section 1 of this Resolution.

7 "Projects Costs" means all of the expenses of and incidental to the construction and/or
8 acquisition of the Projects, including Costs of Issuance.

9 "Purchase Contract" means the Contract of Purchase by and among the County, the District
10 and the Underwriter relating to the Series E Bonds.

11 "Rebate Fund" means the Corona-Norco Unified School District 2006 General Obligation
12 Rebate Fund, Series E, established pursuant to Section 14 of this Resolution.

13 "Record Date" means, with respect to the Current Interest Bonds, the close of business on the
14 fifteenth day of the month preceding each Bond Payment Date.

15 "Redemption Date" means any date on which any Series E Bond is subject to optional
16 redemption or mandatory sinking fund redemption in accordance with Section 11 hereof.

17 "Resolution" means this Resolution No. 2011-229 adopted by the Board of Supervisors of the
18 County on August 16, 2011.

19 "Securities Depositories" means The Depository Trust Company, 55 Water Street, New
20 York, New York 10041, Facsimile transmission: (212) 785-9681, or such other securities
21 depositories as are designated by the District or the Paying Agent and whose business is to perform
22 the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12)
23 of the Securities Exchange Act of 1934, and who is registered as a clearing agency under
24 Section 17A of the Act.

25 "Supplemental Resolution" means any resolution supplemental to or amendatory of this
26 Resolution, adopted by the County in accordance with Section 24 hereof.

1 "Tax Certificate" means the certificate by that name executed by the District on the Date of
2 Issuance of the Series E Bonds.

3 "Transfer Amount" means, (i) with respect to any outstanding Current Interest Bond, the
4 Principal Amount, (ii) with respect to any outstanding Capital Appreciation Bond, the Maturity
5 Value, and (iii) with respect to any outstanding Convertible Capital Appreciation Bonds, the
6 Conversion Value.

7 "Treasurer" means the Treasurer and Tax Collector of the County and such other persons as
8 may be designated by the Treasurer and Tax Collector to act on his behalf.

9 "Underwriter" means Piper Jaffray & Co.

10 **Section 5. Terms of the Series E Bonds.**

11 (a) An issue of bonds entitled to the benefit, protection and security of this
12 Resolution is hereby authorized in an aggregate Principal Amount not to exceed \$21,572,878.35.
13 Such Bonds shall be general obligation bonds of the District, payable as to Principal, premium, if
14 any, and interest from *ad valorem* taxes to be levied upon all of the taxable property in the District.
15 The Series E Bonds shall be designated "Corona-Norco Unified School District, Riverside County,
16 California, Election of 2006 General Obligation Bonds Series E." The Series E Bonds may be issued
17 as Current Interest Bonds and/or Capital Appreciation Bonds and/or Convertible Capital
18 Appreciation Bonds as set forth in the Purchase Contract, subject to the provisions of this Resolution.

19 (b) The Series E Bonds shall be issued as bonds registered as to both principal
20 and interest, in the denominations of (i) with respect to the Current Interest Bonds, \$5,000 Principal
21 Amount, or any integral multiple thereof, (ii) with respect to the Capital Appreciation Bonds, \$5,000
22 Maturity Value, or any integral multiple thereof, and (iii) with respect to Convertible Capital
23 Appreciation Bonds, \$5,000 Conversion Value or any integral multiple thereof; provided that one
24 Capital Appreciation Bond may be issued in an odd Maturity Value and one Current Interest Bond
25 may be issued in a denomination in excess of \$5,000 that is not an integral multiple thereof.

26 (c) The Current Interest Bonds shall mature in the years and be issued in the
27 Principal Amounts as set forth in the Purchase Contract. Each Current Interest Bond shall be dated
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1 as set forth in the Purchase Contract and shall bear interest at the applicable interest rate set forth in
2 the Purchase Contract from the Bond Payment Date next preceding the date of authentication thereof
3 unless it is authenticated as of a day during the period from the 16th day of the month next preceding
4 any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest
5 from such Bond Payment Date, or unless it is authenticated on or before the first Record Date, in
6 which event it shall bear interest from its dated date; provided, however, that, if at the time of
7 registration of any Current Interest Bond interest with respect thereto is in default, interest with
8 respect thereto shall be payable from the Bond Payment Date to which interest has previously been
9 paid or made available for payment.

10 (d) Each Capital Appreciation Bond shall be dated and shall accrete interest from
11 its Date of Issuance. Capital Appreciation Bonds will not bear interest payable on a current basis.
12 The Capital Appreciation Bonds shall be issued in fully registered form, shall mature in the years and
13 shall be issued in the aggregate Principal Amounts set forth in the Purchase Contract and shall
14 accrete interest at the rate or rates and shall have Principal Amounts per each five thousand dollars
15 (\$5,000) in Maturity Value as shown in the Accreted Value Table contained in Appendix A to the
16 Purchase Contract; provided, that in the event that the amount shown in such Accreted Value Table
17 and the Accreted Value calculated by the County or the Paying Agent by application of the definition
18 of Accreted Value set forth in Section 4 differ, the latter amount shall be the Accreted Value of such
19 Capital Appreciation Bond.

20 (e) The Convertible Capital Appreciation Bonds shall mature in the years, shall
21 be issued in the aggregate Principal Amounts, shall have Accretion Rates and shall have Principal
22 Amounts per each \$5,000 in Conversion Value as shown in such Accreted Value Table attached to
23 the Purchase Contract; provided, that in the event that the amount shown in such Accreted Value
24 Table and the Accreted Value caused to be calculated by the County or the Paying Agent, by
25 application of the definition of Accreted Value set forth in Section 4 differ, the latter amount shall be
26 the Accreted Value of such Convertible Capital Appreciation Bond.

1 Each Convertible Capital Appreciation Bond shall accrete interest to its Conversion Date.
2 From and after the applicable Conversion Date, the Convertible Capital Appreciation Bonds will bear
3 interest payable on each Bond Payment Date at the rate or rates set forth in the Purchase Contract,
4 and such interest will accrue based upon the Conversion Value of such Series E Bonds at the
5 Conversion Date. No payment will be made to the Owners of Convertible Capital Appreciation
6 Bonds on the Conversion Date.

7 **Section 6. Execution.** The Series E Bonds shall be signed by the Chairman of the Board
8 and the Treasurer, or a deputy of the Treasurer, by their manual or facsimile signatures and
9 countersigned by the manual or facsimile signature of the Clerk of the Board, or by an authorized
10 deputy, all in their official capacities. The County's seal (or a facsimile thereof) may be impressed,
11 imprinted, engraved or otherwise reproduced on each Series E Bond. In case any one or more of the
12 officers who shall have signed or sealed any of the Series E Bonds shall cease to be such officer
13 before the Series E Bonds so signed and sealed shall have been issued by the County on behalf of the
14 District, such Series E Bonds may, nevertheless, be issued, as herein provided, as if the persons who
15 signed or sealed such Series E Bonds had not ceased to hold such offices. No Series E Bond shall be
16 valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution
17 unless and until the certificate of authentication printed on the Series E Bond is signed by the Paying
18 Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that
19 the Series E Bond so authenticated has been duly issued, signed and delivered under this Resolution
20 and is entitled to the security and benefit of this Resolution.

21 **Section 7. Appointment of Paying Agent.**

22 (a) This Board does hereby consent to and confirm the appointment of U.S. Bank
23 National Association to act as the authenticating agent, bond registrar, transfer agent and paying
24 agent (collectively, the "Paying Agent") for the Series E Bonds. All fees and expenses incurred for
25 services of the Paying Agent shall be the sole responsibility of the District.
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27
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1 (b) Unless otherwise provided, the office of the Paying Agent designated by the
2 Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest on the
3 Series E Bonds.

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

12 (d) The District shall pay to the Paying Agent from time to time reasonable
13 compensation for all services rendered under this Resolution, and also all reasonable expenses,
14 charges, counsel fees and other disbursements, including those of its attorneys, agents and
15 employees, incurred in and about the performance of their powers and duties under this Resolution.
16 In no event shall the County be required to expend its own funds hereunder.

17 **Section 8. Resignation or Removal of Paying Agent and Appointment of Successor.**

18 (a) The Paying Agent may at any time resign and be discharged of the duties and
19 obligations created by this Resolution by giving at least 60 days' written notice to the District and the
20 County. The Paying Agent may be removed at any time by an instrument filed with such Paying
21 Agent and the County and signed by the District. A successor Paying Agent shall be appointed by
22 the District with the written consent of the Treasurer, which consent shall not be unreasonably
23 withheld, and, if not the Treasurer, shall be a bank or trust company organized under the laws of any
24 state of the United States, a national banking association or any other financial institution, having
25 capital stock and surplus aggregating at least \$50,000,000 and doing business in the State and willing
26 and able to accept the office on reasonable and customary terms and authorized by law to perform all
27 the duties imposed upon it by this Resolution. Such Paying Agent shall signify the acceptance of its
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1 duties and obligations hereunder by executing and delivering to the County and the District a written
2 acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment
3 and acceptance of a successor Paying Agent.

4 (b) In the event of the resignation or removal of the Paying Agent, such Paying
5 Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if
6 there is no successor, to the Treasurer. In the event that for any reason there shall be a vacancy in the
7 office of the Paying Agent, the Treasurer shall act as such Paying Agent. The County shall cause the
8 new Paying Agent appointed to replace any resigned or removed Paying Agent to mail notice of its
9 appointment and the address of its principal office to all registered Owners.

10 **Section 9. Payment of Principal and Interest.** The Principal of and interest on the
11 Series E Bonds shall be payable in lawful money of the United States of America without deduction
12 for the services of the Paying Agent as paying agent. Interest on Current Interest Bonds and interest
13 on each Convertible Capital Appreciation Bond after its Conversion Date shall be paid on each Bond
14 Payment Date by check mailed by first class mail to the person in whose name the Series E Bond was
15 registered, and to that person's address appearing on the Bond Register (as described in Section 10
16 below) at the close of business on the Record Date. The Owner of an aggregate Principal Amount of
17 Current Interest Bonds or a Conversion Value of Convertible Capital Appreciation Bonds of
18 \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by
19 wire transfer to the bank and account number on file with the Paying Agent as of any Record Date.

20 Payments of Principal and redemption premiums, if any, with respect to the Current Interest
21 Bonds, and the payments of Maturity Value and redemption premiums, if any, with respect to Capital
22 Appreciation Bonds and payment of Conversion Value and redemption premiums, if any, with
23 respect to the Convertible Capital Appreciation Bonds, shall be payable at maturity or redemption, as
24 applicable, upon surrender at the principal office of the Paying Agent. The Paying Agent is hereby
25 authorized to pay the Series E Bonds when duly presented for payment at maturity or redemption,
26 and to cancel all Series E Bonds upon payments thereof.

1 The Series E Bonds are general obligation bonds of the District and do not constitute an
2 obligation of the County except as expressly provided in this Resolution. No part of any fund of the
3 County is pledged or obligated to the payment of the Series E Bonds.

4 **Section 10. Bond Registration and Transfer.** So long as any of the Series E Bonds
5 remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal
6 office all books and records necessary for the registration, exchange and transfer of the Series E
7 Bonds as provided in this Section.

8 Subject to the provisions of Section 12 below, the person in whose name a Series E Bond is
9 registered on the Bond Register shall be regarded as the absolute owner of that Series E Bond for all
10 purposes of this Resolution. Payment of or on account of the Principal of and interest on any
11 Series E Bond shall be made only to or upon the order of that person; neither the District, the County
12 nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be
13 changed as provided in this Section. All such payments shall be valid and effectual to satisfy and
14 discharge the District's liability upon the Series E Bonds, including interest, to the extent of the
15 amount or amounts so paid.

16 Any Series E Bond may be exchanged for Series E Bonds of like tenor, maturity and Transfer
17 Amount upon presentation and surrender at the office of the Paying Agent designated for such
18 purpose, together with a request for exchange signed by the registered Owner or by a person legally
19 empowered to do so in a form satisfactory to the Paying Agent. A Series E Bond may be transferred
20 only on the Bond Register by the person in whose name it is registered, in person or by his duly
21 authorized attorney, upon surrender of such Series E Bond for cancellation at the office of the Paying
22 Agent designated for such purpose, accompanied by delivery of a written instrument of transfer in a
23 form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent
24 shall register, authenticate and deliver a new Series E Bond or Series E Bonds of like tenor and of
25 any authorized denomination or denominations requested by the Owner equal to the Transfer
26 Amount of the Series E Bond surrendered and bearing or accreting interest at the same rate and
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1 maturing on the same date. Capital Appreciation Bonds, Convertible Capital Appreciation Bonds
2 and Current Interest Bonds may not be exchanged for one another.

3 If manual signatures on behalf of the County are required, the Paying Agent shall undertake
4 the exchange or transfer of Series E Bonds only after the new Series E Bonds are signed by the
5 authorized officers of the County. In all cases of exchanged or transferred Series E Bonds, the
6 County shall sign and the Paying Agent shall authenticate and deliver Series E Bonds in accordance
7 with the provisions of this Resolution. All fees and costs of transfer shall be paid by the transferor.
8 Those charges may be required to be paid before the procedure is begun for the exchange or transfer.
9 All Series E Bonds issued upon any exchange or transfer shall be valid obligations of the District,
10 evidencing the same debt, and entitled to the same security and benefit under this Resolution as the
11 Series E Bonds surrendered upon that exchange or transfer.

12 Any Series E Bond surrendered to the Paying Agent for payment, retirement, exchange,
13 replacement or transfer shall be cancelled by the Paying Agent. The District and the County may at
14 any time deliver to the Paying Agent for cancellation any previously authenticated and delivered
15 Series E Bonds that the District and the County may have acquired in any manner whatsoever, and
16 those Series E Bonds shall be promptly cancelled by the Paying Agent. Written reports of the
17 surrender and cancellation of Series E Bonds shall be made to the District and the County by the
18 Paying Agent at least twice each calendar year. The cancelled Series E Bonds shall be retained for a
19 period of time and then returned to the District or destroyed by the Paying Agent as directed by the
20 District.

21 None of the District, the County nor the Paying Agent will be required (a) to issue or transfer
22 any Series E Bonds during a period beginning with the opening of business on the 15th business day
23 next preceding either any Bond Payment Date or any date of selection of Series E Bonds to be
24 redeemed and ending with the close of business on the Bond Payment Date or day on which the
25 applicable notice of redemption is given, or (b) to transfer any Series E Bonds which have been
26 selected or called for redemption in whole or in part.

1 In case any Series E Bond secured hereby shall become mutilated or destroyed, stolen or lost,
2 the Paying Agent shall cause to be executed and authenticated a new Series E Bond of like date and
3 tenor in exchange and substitution for and upon the cancellation of such mutilated Series E Bond or
4 in lieu of and in substitution for such Series E Bond mutilated, destroyed, stolen or lost, upon the
5 Owner's paying the reasonable expenses and charges in connection therewith, and, in the case of a
6 Series E Bond destroyed, stolen or lost, such Owner's filing with the Paying Agent and the County of
7 evidence satisfactory to them that such Series E Bond was destroyed, stolen or lost, and/or such
8 Owner's ownership thereof in furnishing the Paying Agent and County with indemnity satisfactory to
9 each of them.

10 Any new Series E Bonds issued pursuant to this Section 10 in substitution for Series E Bonds
11 alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on
12 the part of the District, whether or not the Series E Bonds so alleged to be destroyed, stolen or lost
13 are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and
14 proportionate benefits with all other Series E Bonds issued under this Resolution in any moneys or
15 securities held by the Paying Agent for the benefit of the Owners of the Series E Bonds.

16 **Section 11. Redemption.**

17 (a) Terms of Redemption. The Series E Bonds shall be subject to redemption
18 prior to maturity as provided in the Purchase Contract.

19 (b) Selection of Bonds for Redemption. Whenever provision is made in this
20 Resolution for the redemption of Series E Bonds and less than all Outstanding Series E Bonds are to
21 be redeemed, the Paying Agent, upon written instruction, shall select Series E Bonds for redemption
22 in such manner as directed by the District. Within a maturity, the Paying Agent shall select Series E
23 Bonds for redemption in such manner as directed by the District or if not so directed then by lot.
24 Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however,
25 that (i) the portion of any Current Interest Bond to be redeemed in part shall be in the Principal
26 Amount of \$5,000 or any integral multiple thereof, (ii) the portion of any Capital Appreciation Bond
27 to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Maturity Value
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1 of such Capital Appreciation Bond, or any integral multiple thereof, and (iii) the portion of any
2 Convertible Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the
3 Accreted Value per \$5,000 Conversion Value of such Convertible Capital Appreciation Bond, or any
4 integral multiple thereof. In selecting Series E Bonds for redemption, the Paying Agent shall treat
5 each Current Interest Bond as representing that number of Current Interest Bonds which is obtained
6 by dividing the principal amount of such Current Interest Bond by \$5,000, each Convertible Capital
7 Appreciation Bond as representing that number of Convertible Capital Appreciation Bonds which is
8 obtained by dividing the Conversion Value of such Convertible Capital Appreciation Bond by
9 \$5,000, and each Capital Appreciation Bond as representing that number of Capital Appreciation
10 Bonds which is obtained by dividing the Maturity Value of such Capital Appreciation Bond by
11 \$5,000.

12 (c) Notice of Redemption. When redemption is to be made pursuant to
13 Section 11(a) hereof, the Paying Agent shall give notice (a "Redemption Notice") of the redemption
14 of the Series E Bonds by first class mail, postage prepaid to each Owner of the Series E Bonds at the
15 addresses appearing on the Series E Bond registration books at least 30 but not more than 60 days
16 prior to the Redemption Date; provided, however, that so long as the Series E Bonds are held in
17 book-entry form only pursuant to Section 12 below, notice shall be delivered in the manner provided
18 for by the Depository. Such Redemption Notice shall specify: (a) the Series E Bonds or designated
19 portions thereof (in the case of redemption of the Series E Bonds in part but not in whole) which are
20 to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be
21 made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP
22 numbers (if any) assigned to the Series E Bonds to be redeemed, (f) the numbers of the Series E
23 Bonds to be redeemed in whole or in part and, in the case of any Series E Bond to be redeemed in
24 part only, the Principal Amount or Accreted Value, as applicable, of such Series E Bond to be
25 redeemed, and (g) the original issue date, interest rate and stated maturity date of each Series E Bond
26 to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified
27 Redemption Date there shall become due and payable upon each Series E Bond or portion thereof
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1 being redeemed the Principal Amount thereof and applicable premium, if any, together with the
2 interest accreted to the Redemption Date in the case of the Capital Appreciation Bonds, and that from
3 and after such Redemption Date, interest with respect thereto shall cease to accrue or accrete in
4 value.

5 In case of the redemption as permitted herein of all the Series E Bonds of any one
6 maturity then Outstanding, notice of redemption shall be given by mailing as herein provided, except
7 that the Redemption Notice need not specify the serial numbers of the Series E Bonds of such
8 maturity.

9 Any Redemption Notice for an optional redemption of the Series E Bonds delivered
10 in accordance with this Section 11(c) may be conditional, and, if any condition stated in the
11 Redemption Notice shall not have been satisfied on or prior to the redemption date: (i) the
12 Redemption Notice shall be of no force and effect, (ii) the District shall not be required to redeem
13 such Series E Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a
14 reasonable time thereafter give notice to the persons in the manner in which the conditional
15 Redemption Notice was given that such condition or conditions were not met and that the redemption
16 was canceled.

17 Neither failure to receive nor any defect in any such Redemption Notice so given
18 shall affect the sufficiency of the proceedings for the redemption of the affected Series E Bonds.

19 (d) Additional Notice. In addition to the Redemption Notice given pursuant to
20 Section 11(c), further notice shall be given by the Paying Agent as set out below, but no defect in
21 said further notice nor any failure to give all or any portion of such further notice shall in any manner
22 defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each
23 further notice of redemption shall be sent at least thirty (30) days before the Redemption Date to each
24 of the Securities Depositories which are then in the business of holding substantial amounts of
25 obligations of types comprising the Series E Bonds and to one or more of the Information Services
26 that disseminate notice of redemption of obligations similar to the Series E Bonds, or such additional
27 notice may be sent in accordance with the then-current guidelines of the Securities and Exchange
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1 Commission, including to such other securities depositories and services providing information on
2 called bonds, or such securities depositories and services, as the District may designate in a
3 certificate delivered to the Paying Agent. Such notice shall be sent by registered or certified mail,
4 overnight delivery service or in such other manner, including electronically, as permitted by such
5 Securities Depositories and Information Services.

6 (e) CUSIP Numbers. Upon the payment of the redemption price of Series E
7 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the
8 CUSIP number identifying, by issue and maturity, the Series E Bonds being redeemed with the
9 proceeds of such check or other transfer.

10 (f) Payment of Redeemed Series E Bonds. When notice of redemption has been
11 given substantially as provided for herein, and, when the amount necessary for the redemption of the
12 Series E Bonds called for redemption is set aside for that purpose in the Debt Service Fund, as
13 provided herein, the Series E Bonds designated for redemption shall become due and payable on the
14 date fixed for redemption thereof and upon presentation and surrender of said Series E Bonds at the
15 place specified in the notice of redemption with the form of assignment endorsed thereon executed in
16 blank, said Series E Bonds shall be redeemed and paid at the redemption price out of the Debt
17 Service Fund.

18 (g) Partial Redemption of Series E Bonds. Upon the surrender of any Series E
19 Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new
20 Series E Bond or Series E Bonds of like tenor and maturity and of authorized denominations equal in
21 Transfer Amount to the unredeemed portion of the Series E Bond surrendered. Such partial
22 redemption shall be valid upon payment of the amount required to be paid to such Owner, and the
23 County and the District shall be released and discharged thereupon from all liability to the extent of
24 such payment.

25 (h) Effect of Notice of Redemption. If on a Redemption Date, money for the
26 redemption of the Series E Bonds to be redeemed as provided in this Section 11, together with
27 interest to such Redemption Date, shall be held by the Paying Agent so as to be available therefor on
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1 such Redemption Date, and if notice of redemption thereof shall have been given as aforesaid, then
2 from and after such Redemption Date, interest with respect to the Series E Bonds to be redeemed
3 shall cease to accrue or accrete and become payable.

4 (i) Series E Bonds No Longer Outstanding. When any Series E Bonds (or
5 portions thereof), which have been duly called for redemption prior to maturity under the provisions
6 of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to
7 maturity at the earliest Redemption Date have been given to the Paying Agent, in form satisfactory to
8 it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the
9 redemption price of such Series E Bonds or portions thereof, and, in the case of Current Interest
10 Bonds, accrued interest with respect thereto to the date fixed for redemption, all as provided in this
11 Resolution, then such Series E Bonds shall no longer be deemed Outstanding and shall be
12 surrendered to the Paying Agent for cancellation.

13 **Section 12. Book-Entry System.**

14 (a) The Series E Bonds shall be initially executed and delivered in the form of a
15 single, fully registered Series E Bond for each maturity of Current Interest Bonds, Capital
16 Appreciation Bonds and Convertible Capital Appreciation Bonds (which may be typewritten). Upon
17 initial execution and delivery, as provided for herein, the ownership of such Series E Bond shall be
18 registered in the Bond Register in the name of the Depository or its nominee (the "Nominee"), and its
19 successors and assigns. Except as hereinafter provided, all of the outstanding Series E Bonds shall
20 be registered in the Bond Register in the name of the Nominee of the Depository, which may be the
21 Depository, as determined from time to time pursuant to this Section. Each Series E Bond certificate
22 shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED
23 BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE BOND
24 REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY
25 BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER
26 NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE
27 DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER
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1 ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE
2 DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR
3 OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED
4 OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

5 With respect to the Series E Bonds registered in the Bond Register in the name of the
6 Nominee, neither the District, the County nor the Paying Agent shall have any responsibility or
7 obligation to any broker-dealers, banks and other financial institutions from time to time for which
8 the Depository holds Series E Bonds as securities depository (the “Participant”) or to any person on
9 behalf of which such a Participant holds an interest in the Series E Bonds. Without limiting the
10 immediately preceding sentence, neither the District, the County nor the Paying Agent shall have any
11 responsibility or obligation (unless the District is at such time the Depository) with respect to (i) the
12 accuracy of the records of the Depository, the Nominee, or any Participant with respect to any
13 ownership interest in the Series E Bonds, (ii) the delivery to any Participant or any other person,
14 other than an Owner of a Series E Bond as shown in the Bond Register, of any notice with respect to
15 the Series E Bonds, including any notice of redemption, (iii) the selection by the Depository and its
16 Participants of the beneficial interests in the Series E Bonds to be redeemed in the event the District
17 redeems the Series E Bonds in part, or (iv) the payment to any Participant or any other person, other
18 than an Owner of a Series E Bond as shown in the Bond Register, of any amount with respect to
19 Principal of or interest on the Series E Bonds. The District and the Paying Agent may treat and
20 consider the person in whose name each Series E Bond is registered in the Bond Register as the
21 holder and absolute Owner of such Series E Bond for the purpose of the payment of Principal and
22 interest with respect to such Series E Bond, for the purpose of giving notices of redemption, if
23 applicable, and other matters with respect to such Series E Bond, for the purpose of registering
24 transfers with respect to such Series E Bond, and for all other purposes whatsoever. The Paying
25 Agent shall pay all Principal of and interest on the Series E Bonds only to or upon the order of the
26 respective Owner of the Series E Bond, as shown in the Bond Register, or his respective attorney
27 duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and
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1 discharge the District's obligations with respect to payment of Principal of and interest on the
2 Series E Bonds to the extent of the sum or sums so paid. No person other than an Owner of a
3 Series E Bond, as shown in the Bond Register, shall receive a Series E Bond evidencing the
4 obligation of the District to make payments of Principal and interest. Upon delivery by the
5 Depository to the Owners of the Series E Bonds, and the District of written notice to the effect that
6 the Depository has determined to substitute a new nominee in place of the Nominee, and subject to
7 the provisions herein with respect to Record Dates, the word Nominee in this Resolution shall refer
8 to such nominee of the Depository.

9 (b) In order to qualify the Series E Bonds for the Depository's book-entry
10 system, the District has executed and delivered to the Depository a Representation Letter. The
11 execution and delivery of the Representation Letter shall not in any way limit the provisions of this
12 Section or in any other way impose upon the District any obligation whatsoever with respect to
13 persons having interests in the Series E Bonds other than the owners of the Series E Bonds, as shown
14 on the Bond Register. In addition, to the execution and delivery of the Representation Letter, the
15 District shall take such other actions, not inconsistent with this Resolution, as are reasonably
16 necessary to qualify the Series E Bonds for the Depository's book-entry program.

17 (c) If at any time the Depository notifies the County and the District that it is
18 unwilling or unable to continue as Depository with respect to the Series E Bonds or if at any time the
19 Depository shall no longer be registered or in good standing under the Securities Exchange Act or
20 other applicable statute or regulation and a successor Depository is not appointed by the Treasurer
21 within 90 days after the County and the District receive notice or become aware of such condition, as
22 the case may be, subsection (a) hereof shall no longer be applicable and the Treasurer shall issue
23 bonds representing the Series E Bonds as provided below. In addition, the County and the District
24 may determine at any time that the Series E Bonds shall no longer be represented by book-entry
25 securities and that the provisions of subsection (a) hereof shall no longer apply to the Series E Bonds.
26 In any such event, the Treasurer shall execute and deliver certificates representing the Series E Bonds
27 as provided below. Series E Bonds issued in exchange for book-entry securities pursuant to this
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1 subsection (c) shall be registered in such names and delivered in such denominations as the
2 Depository shall instruct the County and the District. The Treasurer shall deliver such bonds
3 representing the Series E Bonds to the persons in whose names such Bonds are so registered.

4 If the County and the District determine to replace the Depository with another
5 qualified securities depository, the County and the District shall prepare or cause to be prepared new
6 fully-registered book-entry securities for each of the maturities of the Series E Bonds, registered in
7 the name of such successor or substitute securities depository or its nominee, or make such other
8 arrangements as are acceptable to the County, the District and such securities depository and not
9 inconsistent with the terms of this Resolution.

10 Notwithstanding any other provisions of this Resolution to the contrary, so long as
11 any Series E Bond is registered in the name of the Nominee, all payments with respect to Principal
12 of, and interest on such Series E Bond and all notices with respect to such Series E Bond shall be
13 made and given, respectively, as provided in the Representation Letter or as otherwise instructed by
14 the Depository and acceptable to the District.

15 (d) The initial Depository under this Section shall be DTC. The initial Nominee
16 shall be Cede & Co., as Nominee of DTC.

17 **Section 13. Forms of Bonds.** The Series E Bonds shall be in substantially the forms as
18 shown in Exhibit C hereto; provided, however, that those officials executing the Series E Bonds are
19 hereby authorized to make the insertions and deletions necessary to conform the Series E Bonds to
20 this Resolution, the Purchase Contract and the Official Statement and to correct any defect or
21 inconsistent provision therein or to cure any ambiguity or omission therein.

22 **Section 14. Deposit of Proceeds of Series E Bonds; Creation of Funds.**

23 (a) The proper officials of the County shall cause the proper officials of the
24 District to cause the Series E Bonds to be prepared and, following their sale, shall have the Series E
25 Bonds signed and delivered to DTC for credit to the account of the Underwriter upon payment by the
26 Underwriter of the purchase price of the Series E Bonds in immediately available funds.

1 (b) The proceeds from the sale of the Series E Bonds, to the extent of the
2 Principal Amount thereof payable to the District under the terms of the Purchase Contract, shall be
3 paid to the County to the credit of the fund hereby created and established and to be known as the
4 "Corona-Norco Unified School District 2006 General Obligation Bond Building Fund, Series E" (the
5 "Building Fund") of the District, which shall be kept separate and distinct from all other District and
6 County funds. Such proceeds shall be used solely for the purpose for which the Series E Bonds are
7 being issued and shall be applied solely to authorized purposes which relate to the Projects. Any
8 amounts that remain in the Building Fund at the completion of the Projects, at the written direction of
9 an Authorized Representative of the District, shall be transferred to the Debt Service Fund to be used
10 to pay the Principal of, premium, if any, and interest on the Series E Bonds, subject to any conditions
11 set forth in the Tax Certificate.

12 (c) All premium received by the District from the sale of the Series E Bonds, if
13 any, and any accrued interest on the Series E Bonds shall be kept separate and apart in the fund
14 hereby created and established and to be designated as the "Corona-Norco Unified School District
15 2006 General Obligation Bond Debt Service Fund, Series E" (the "Debt Service Fund") for the
16 Series E Bonds. Amounts in the Debt Service Fund shall be used only for payments of Principal,
17 premium, if any, and interest, including Accreted Interest, on the Series E Bonds on each Bond
18 Payment Date and Redemption Date. All *ad valorem* taxes levied for the purposes described in
19 Section 15 hereof shall be deposited upon collection by the County into the Debt Service Fund and
20 used for the payment of the Principal of, premium, if any, and interest, including Accreted Interest,
21 on the Series E Bonds on each Bond Payment Date and Redemption Date. On the Business Day
22 immediately preceding each Bond Payment Date and Redemption Date, the District shall transfer or
23 cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately
24 available funds, sufficient to pay all the Principal of, premium, if any, and interest, including
25 Accreted Interest, on the Series E Bonds (collectively, the "Debt Service") on such Bond Payment
26 Date or Redemption Date, as applicable. Debt Service on the Series E Bonds shall be paid by the
27 Paying Agent in the manner provided by law for the payment of Debt Service. If, after payment in
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1 full of the Series E Bonds, there remain excess proceeds in the Debt Service Fund, any such excess
2 amounts shall be transferred to the general fund of the District.

3 (d) There is hereby created and established a "Corona-Norco Unified School
4 District 2006 General Obligation Bond Rebate Fund, Series E" (the "Rebate Fund"). The County
5 shall from time to time receive funds from the District for deposit into the Rebate Fund as required to
6 enable the District to comply with the requirements of Section 148(f) of the Code. The District shall
7 instruct the County, in writing, as to the method of investing funds held in the Rebate Fund and
8 disbursing such funds to the United States Treasury. The County agrees to comply with such
9 instructions of the District. Any money remaining in the Rebate Fund after the payment in full of the
10 Series E Bonds, either at maturity or earlier redemption, and the payment to the United States
11 Treasury of any amounts required pursuant to Section 148(f) of the Code, and any regulations
12 thereunder, shall be transferred to the Building Fund, or if the Building Fund is not then in existence,
13 shall be transferred to the general fund of the District. The County shall have no liability or
14 obligation with respect to the required deposits to or disbursements from the Rebate Fund, which
15 shall remain the sole responsibility of the District.

16 (e) There shall hereby be created and established the "Corona-Norco Unified
17 School District General Obligation Bond Costs of Issuance Fund, Series E" (the "Costs of Issuance
18 Fund") which shall be accounted for separately and distinctly from all other District and County
19 funds and accounts and which may exist in the County treasury, or at the direction of an Authorized
20 Representative of the District may be held by the Paying Agent. Upon direction from an Authorized
21 Representative of the District, the Treasurer shall transfer from the Building Fund and deposit in the
22 Costs of Issuance Fund an amount not to exceed two percent (2%) of the initial principal amount of
23 the Series E Bonds. Monies held in the Costs of Issuance Fund shall be applied, upon direction from
24 an Authorized Representative of the District, solely to pay Costs of Issuance. Upon direction from
25 an Authorized Representative of the District amounts held in the Costs of Issuance Fund shall be
26 transferred from the Costs of Issuance Fund and deposited in the Building Fund.

1 (f) Interest earned on the investment of monies held in the Debt Service Fund
2 shall be retained in the Debt Service Fund, interest earned on the investment of monies held in the
3 Building Fund shall be retained in the Building Fund, interest earned on the investment of moneys in
4 the Costs of Issuance Fund shall be transferred and credited to the Building Fund, and interest earned
5 in the investments in the Rebate Fund shall be retained in the Rebate Fund.

6 (g) If at any time it is deemed necessary or desirable by the District, upon the
7 written direction of an Authorized Representative of the District, the County may establish additional
8 funds under this Resolution and/or accounts within any of the funds or accounts established
9 hereunder.

10 **Section 15. Security for the Series E Bonds; Tax Levy.** There shall be levied on all the
11 taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax
12 annually during the period the Series E Bonds are Outstanding in an amount sufficient, together with
13 moneys on deposit in the Debt Service Fund available for such purpose, to pay the Principal of,
14 premium, if any, and interest, including Accreted Interest, on the Series E Bonds when due. The
15 taxes collected for the Series E Bonds will be placed in the Debt Service Fund of the District, which
16 taxes, together with the amounts on deposit in the Debt Service Fund, are irrevocably pledged for the
17 payment of the Principal of, premium, if any, and interest, including Accreted Interest, on the
18 Series E Bonds when and as due. The Series E Bonds are the general obligation bonds of the District
19 and do not constitute an obligation of the County except as expressly provided in this Resolution. No
20 part of any fund or account of the County is pledged or obligated to the payment of the Series E
21 Bonds or the interest thereon.

22 **Section 16. Defeasance.** The Series E Bonds may be defeased, in whole, prior to
23 maturity in the following ways:

24 (a) by well and truly paying or causing to be paid the Principal, Accreted Value,
25 premium, if any, and interest on all Series E Bonds Outstanding, and when the same become due and
26 payable;

1 (b) by irrevocably depositing with a bank or trust company, in escrow, an amount
2 of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all
3 Series E Bonds Outstanding, including all Principal, premium, if any, Accreted Value and interest; or

4 (c) by irrevocably depositing with a bank or trust company, in escrow,
5 noncallable United States Obligations (defined below), together with cash, if required, in such
6 amount as will, in the opinion of an independent certified public accountant, together with interest to
7 accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to
8 accrue thereon, be fully sufficient to pay and discharge all the Series E Bonds Outstanding, including
9 all Principal, premium, if any, Accreted Value and interest due with respect thereto at or before their
10 maturity date or applicable redemption date;

11 then, notwithstanding that any Series E Bonds shall not have been surrendered for payment, all
12 obligations of the District, the County and the Paying Agent with respect to all Outstanding Series E
13 Bonds shall cease and terminate, except only the obligation of the County and the Paying Agent to
14 pay or cause to be paid from funds deposited pursuant to paragraphs (a), (b) or (c) of this Section, to
15 the owners of the Series E Bonds not so surrendered and paid, all sums due with respect thereto and
16 the obligations of the County with respect to the Rebate Fund in accordance with Section 14 hereof.

17 For purposes of this Section and Section 17, United States Obligations shall mean:

18 Direct and general obligations of the United States of America, or obligations that are
19 unconditionally guaranteed as to principal and interest by the United States of America, including (in
20 the case of direct and general obligations of the United States of America) evidence of direct
21 ownership or proportionate interests in future interest or principal payments of such obligations.
22 Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or
23 trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of
24 the investment is the real party in interest and has the right to proceed directly and individually
25 against the obligor of the underlying United States Obligations; and (c) the underlying United States
26 Obligations are held in a special account, segregated from the custodian's general assets, and are not
27 available to satisfy any claims of the custodian, any person claiming through the custodian, or any
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1 person to whom the custodian may be obligated; provided that such obligations are rated "AAA" by
2 Standard & Poor's and "Aaa" by Moody's Investors Service.

3 **Section 17. Partial Defeasance.** Any portion of the Outstanding maturities of the
4 Series E Bonds may be defeased prior to maturity in the following ways:

5 (a) by irrevocably depositing with the County, or a bank or trust company
6 appointed by the County or the District, in escrow, an amount of cash which, together with amounts
7 then on deposit in the Debt Service Fund, is sufficient to pay the designated Outstanding maturities
8 of Series E Bonds, including all Principal, Accreted Value, interest and premium, if any, when the
9 same become due and payable; or

10 (b) by irrevocably depositing with the County, or a bank or trust company
11 appointed by the County or the District, in escrow, noncallable United States Obligations, together
12 with cash, if required, in such amount as will, in the opinion of an independent certified public
13 accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge the
14 designated Outstanding maturities of Series E Bonds, including all Principal, Accreted Value, interest
15 and premium, if any, at or before their maturity date or applicable redemption date;

16 then, notwithstanding that any of such designated maturities of Series E Bonds shall not have been
17 surrendered for payment, all obligations of the District and the County with respect to such
18 Outstanding maturities of Series E Bonds shall cease and terminate, except only the obligation of the
19 County and the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs
20 (a) or (b) of this Section, to the Owners of the Series E Bonds of such maturities defeased and not so
21 surrendered and paid, all sums due with respect thereto.

22 For purposes of this Section, United States Obligations shall have the same meaning as set
23 forth in Section 16 hereof.

24 **Section 18. Continuing Disclosure.** The District has covenanted and agreed that it will
25 comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Any
26 Owner may take such actions as may be necessary and appropriate, including seeking mandate or
27 specific performance by court order, to cause the District to comply with its obligations under the
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1 Continuing Disclosure Agreement. The failure of the District to comply with the Continuing
2 Disclosure Agreement shall not constitute a default hereunder nor shall any Owner be permitted to
3 monetary damages for failure of the District to comply.

4 **Section 19. Tax Covenants of the District.** The District has covenanted for and on
5 behalf of the Owners that it shall not take any action, or fail to take any action if such action or
6 failure to take such action would adversely affect the exclusion from gross income for federal income
7 tax purposes of the interest payable on the Series E Bonds.

8 **Section 20. Arbitrage Covenant.** The District has covenanted for and on behalf of the
9 Owners that it will restrict the use of the proceeds of the Series E Bonds in such manner and to such
10 extent, if any, as may be necessary, so that the Series E Bonds will not constitute arbitrage bonds
11 under Section 148 of the Code and the applicable regulations prescribed under that section or any
12 predecessor section. Calculations for determining arbitrage requirements are the sole responsibility
13 of the District. The County hereby covenants that it will follow such written directions as are given
14 to it by an Authorized Representative of the District to restrict the use of the proceeds of the Series E
15 Bonds in such manner and to such extent, if any, as may be necessary, so that the Series E Bonds will
16 not constitute arbitrage bonds under Section 148 of the Code and the applicable regulations
17 prescribed under that section or any predecessor section.

18 **Section 21. Conditions Precedent.** This Board determines that all acts and conditions
19 necessary to be performed by the Board or to have been met precedent to and in the issuing of the
20 Series E Bonds in order to make them legal, valid and binding general obligations of the District
21 have been performed and have been met, or will at the time of delivery of the Series E Bonds have
22 been performed and have been met, in regular and due form as required by law; and that no statutory
23 or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the
24 Series E Bonds.

25 **Section 22. Preliminary Official Statement.** The District has agreed to cause a
26 Preliminary Official Statement and a final Official Statement meeting the requirements of Securities
27 and Exchange Commission Rule 15c2-12 to be prepared. Such Preliminary Official Statement and
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1 Official Statement shall be referred to as the "Official Statement," and will be substantially in the
2 form of the Preliminary Official Statement on file with the Clerk of the Board of Supervisors,
3 together with such changes as the District deems necessary to make such Official Statement accurate
4 as of its date.

5 **Section 23. Approval of Actions.** Officers of the Board and County officials and staff
6 are hereby authorized and directed, jointly and severally, to do any and all things and to execute and
7 deliver any and all documents which they may deem necessary or advisable in order to proceed with
8 the issuance of the Series E Bonds and otherwise carry out, give effect to and comply with the terms
9 and intent of this Resolution, including the execution of any documents required by a Bond Insurer as
10 a precondition to obtaining bond insurance if purchased by the District. Such actions heretofore
11 taken by such officers, officials and staff are hereby ratified, confirmed and approved.

12 **Section 24. Supplemental Resolutions.**

13 (a) This Resolution, and the rights and obligations of the County, the District and
14 of the Owners of the Series E Bonds issued hereunder, may be modified or amended at any time by a
15 Supplemental Resolution adopted by the County with the written consent of Owners owning at least
16 60% in aggregate Bond Obligation of the Outstanding Series E Bonds, exclusive of Series E Bonds,
17 if any, owned by the County or the District; provided, however, that no such modification or
18 amendment shall, without the express consent of the Owner of each Series E Bond affected, reduce
19 the Principal Amount of any Series E Bond, reduce the interest rate payable thereon, advance the
20 earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change
21 the monetary medium in which Principal and interest is payable, nor shall any modification or
22 amendment reduce the percentage of consents required for amendment or modification. No such
23 Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent
24 without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent
25 shall be required if the Owners are not directly and adversely affected by such amendment or
26 modification.

1 (b) This Resolution, and the rights and obligations of the County, the District and
2 of the Owners of the Series E Bonds issued hereunder, may be modified or amended at any time by a
3 Supplemental Resolution adopted by the County without the written consent of the Owners;

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

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

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

13 (iv) To cure any ambiguity, supply any omission, or cure or correct any
14 defect or inconsistent provision in this Resolution; or

15 (v) To amend or supplement this Resolution in any other respect,
16 provided such Supplemental Resolution does not adversely affect the interests of the Owners.

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

24 **Section 25. Insurance.** In the event the District purchases bond insurance for the
25 Series E Bonds, and to the extent that the Bond Insurer makes payment of the Principal, Accreted
26 Value or interest on a Series E Bond, it shall become the owner of such Series E Bond, with the right
27 to payment of Principal, Accreted Value or interest on such Series E Bond, and shall be fully
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1 subrogated to all of the Owners' rights, including the Owners' rights to payment thereof. To
2 evidence such subrogation (i) in the case of subrogation as to claims that were past due interest, the
3 Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books for such
4 Series E Bond maintained by the Paying Agent upon receipt of a copy of the cancelled check issued
5 by the Bond Insurer or other evidence satisfactory to the Paying Agent for the payment of such
6 interest to the Owner of such Series E Bond, and (ii) in the case of subrogation as to claims for past
7 due Principal, Accreted Value or interest, the Paying Agent shall note the Bond Insurer as subrogee
8 on the registration books for such Series E Bond maintained by the Paying Agent upon surrender of
9 such Series E Bond by the Owner thereof to the Bond Insurer or the insurance trustee for the Bond
10 Insurer. The Paying Agent shall request payment pursuant to the terms of any bond insurance policy
11 to the extent required to pay the Principal of and interest on the Election of 2006 General Obligation
12 Bonds when due if amounts on deposit in the Debt Service Fund are not adequate for that purpose.

13 **Section 26. Resolution to Constitute Contract.** In consideration of the purchase and
14 acceptance of any and all of the Series E Bonds authorized to be issued hereunder by those who shall
15 own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract
16 among the County, the District and the Owners from time to time of the Series E Bonds; and the
17 pledge made in this Resolution shall be for the equal benefit, protection and security of the Owners
18 of any and all of the Series E Bonds, all of which, regardless of the time or times of their issuance or
19 maturity, shall be of equal rank without preference, priority or distinction of any of the Series E
20 Bonds over any other thereof.

21 **Section 27. Notices.** All notices or communications herein required or permitted to be
22 given to any party shall be given to each of the following parties and shall be given in writing and
23 shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent
24 by telecopier or by being deposited, postage prepaid, in a post office letter box, to the addresses set
25 forth below, or to such other address as may be provided to the other parties hereinafter listed in
26 writing from time to time, namely:
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1 If to the County: County of Riverside
2 4080 Lemon Street
3 Riverside, California 92501
4 Attention: Treasurer-Tax Collector

5 If to the Paying Agent: U.S. Bank National Association
6 633 West Fifth Street, 24th Floor
7 Los Angeles, California 90071
8 Attention: Corporate Trust Services

9 If to the District: Corona-Norco Unified School District
10 2820 Clark Avenue
11 Norco, California 92860
12 Attention: Superintendent

13 **Section 28. Unclaimed Moneys.** Anything in this Resolution to the contrary
14 notwithstanding, any moneys held by the County or the Paying Agent in trust for the payment and
15 discharge of any of the Series E Bonds which remain unclaimed for one (1) year after the date when
16 such Series E Bonds have become due and payable, either at their stated maturity dates or by call for
17 earlier redemption, if such moneys were held by the County or the Paying Agent at such date, or for
18 one (1) year after the date of deposit of such moneys if deposited with the County or the Paying
19 Agent after said date when such Series E Bonds become due and payable, shall be repaid by the
20 County or the Paying Agent, as applicable, to the District, as its absolute property and free from trust,
21 and the County and the Paying Agent shall thereupon be released and discharged with respect thereto
22 and the Series E Bond Owners shall look only to the District for the payment of such Series E Bonds;
23 provided, however, that before being required to make such payment to the District, the Paying
24 Agent shall, at the expense of District, cause to be mailed to the Owners of all such Series E Bonds,
25 at their respective addresses appearing on the registration books, a notice that said moneys remain
26 unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after
27 the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the
28 District.

1 **Section 29. Permitted Investments.**

2 (a) All amounts held in the funds and accounts established hereunder shall be
3 invested by the Treasurer in any instrument which is a lawful investment for funds of the District.
4 Unless otherwise instructed by the District in writing, amounts held hereunder shall be invested in
5 the Treasurer's Pooled Investment Fund. If invested in other than the Treasurer's Pooled Investment
6 Fund, amounts in the Debt Service Fund shall be invested in investments maturing not later than the
7 date on which such amounts will be needed to pay the Principal of and interest on the Series E
8 Bonds. Nothing in this Resolution shall prevent any investment securities acquired as investments of
9 funds held hereunder from being issued or held in book-entry form on the books of the Department
10 of the Treasury of the United States.

11 (b) Obligations purchased as an investment of moneys in any fund or account
12 shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any
13 fund or account shall be credited or charged to such fund or account. In computing the amount in
14 any fund or account created under the provisions of this Resolution for any purpose provided in this
15 Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus,
16 where applicable, accrued interest.

17 **Section 30. Effective Date.** This Resolution shall take effect immediately upon its
18 passage.

1 The foregoing resolution was adopted by the Board of Supervisors of the County of Riverside
2 on August 16, 2011.

3 COUNTY OF RIVERSIDE

4 By: _____
5 Chairman

6 ATTEST:

7 _____
8 Clerk of the Board of Supervisors

9 APPROVED AS TO FORM:

10 PAMELA J. WALLS, County Counsel

11 By: _____
12 Deputy County Counsel

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EXHIBIT A
[FORM OF DISTRICT RESOLUTION]

EXHIBIT B
[FORM OF PURCHASE CONTRACT]

EXHIBIT C

**FORM OF CURRENT INTEREST ELECTION OF
2006 GENERAL OBLIGATION BOND SERIES E**

R- _____

\$ _____

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

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

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
RIVERSIDE COUNTY, CALIFORNIA
2006 GENERAL OBLIGATION BOND SERIES E**

INTEREST RATE:* *MATURITY DATE:* *DATED DATE:* *CUSIP
_____ % per annum August 1, 20____ _____, 2011 _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The Corona-Norco Unified School District (the "District") Riverside County, California (the "County"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year, commencing February 1, 2012 (each, a "Bond Payment Date"). This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from its Dated Date; provided, however, that, if at the time of

registration of this bond interest with respect hereto is in default, interest with respect hereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment). Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register maintained by the Paying Agent, initially U.S. Bank National Association. Principal is payable when due upon presentation and surrender of this bond at the principal office of the Paying Agent. Interest is payable by check mailed by the Paying Agent on each Bond Payment Date to the Registered Owner as shown and at the address appearing on said register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"); provided that a Registered Owner of bonds in the aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that the Registered Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

The bonds of this issue are comprised of Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. This bond is a Current Interest Bond.

The Election of 2006 General Obligation Bonds Series E (the "Bonds") have been issued to finance the construction, reconstruction, rehabilitation or replacement of school facilities, sites, furnishings and equipment under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent vote of the electors of the District cast at an election held on November 7, 2006, upon the question of issuing bonds in the amount of \$250,000,000 and the resolution of the Board of Education of the District adopted on July 19, 2011 (the "District Resolution") and the resolution of the County Board of Supervisors adopted on August 16, 2011 (the "Bond Resolution"). Any capitalized terms not defined herein shall have the meaning set forth in the Bond Resolution. This bond and the issue of which this bond is a part are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are, under the laws now in force, unlimited as to rate or amount.

THE BONDS OF THIS ISSUE ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE BONDS OF THIS ISSUE.

This bond is exchangeable and transferable for Bonds of like tenor, maturity and Transfer Amount and other authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District, the County and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District, the County nor the Paying Agent will be required (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and

ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

The Current Interest Bonds maturing on or before August 1, 20__ , are not subject to redemption prior to their maturity dates. The Current Interest Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on or after August 1, 20__ as a whole, or in part. The Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Current Interest Bonds redeemed prior to maturity, if any, will be redeemed at a redemption price equal to 100% of the principal amount thereof together with accrued interest to date of redemption, without premium.

The Current Interest Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium:

<i>Year (August 1)</i>	<i>Principal Amount To Be Redeemed</i>
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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, shall select Bonds for redemption in such manner as directed by the District. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as directed by the District or if not so directed then by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that (i) the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof, (ii) the portion of any Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Maturity Value of such Capital Appreciation Bond, or any integral multiple thereof, and (iii) the portion of any Convertible Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Conversion Value of such Convertible Capital Appreciation Bond, or any integral multiple thereof. In selecting Bonds for redemption, the Paying Agent shall treat each Current Interest Bond as representing that number of Current Interest Bonds which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000, each Convertible Capital Appreciation Bond as representing that number of Convertible Capital Appreciation Bonds which is obtained by dividing the Conversion Value of such Convertible Capital Appreciation Bond by \$5,000, and each Capital Appreciation Bond as representing that number of Capital Appreciation Bonds which is obtained by dividing the Maturity Value of such Capital Appreciation Bond by \$5,000.

The rights and obligations of the County and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the County in certain cases with the

written consent of Owners of at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the County and in certain cases without the consent of the Owners as further specified in the Resolution.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The Registered Owner of this Series E Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the Bonds described herein in order to make them legal, valid and binding general obligation bonds of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting ad valorem property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Board of Supervisors has caused this Series E Bond to be executed on behalf of the District, by the facsimile signatures of the Chairman of the Board of Supervisors of the County and the Treasurer-Tax Collector of the County, and to be countersigned by the facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

Chairman of the Board of Supervisors

COUNTERSIGNED:

Clerk of the Board of Supervisors

Treasurer-Tax Collector of the County of Riverside

(FORM OF CERTIFICATE OF AUTHENTICATION)

This bond is one of the Current Interest Bonds described in the Bond Resolution referred to herein, which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: _____
Its: Authorized Officer

(FORM OF LEGAL OPINION)

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Clerk of the Board of Supervisors of the County of Riverside

(FORM OF STATEMENT OF INSURANCE)

[TO COME]

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-mentioned Series E Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

**FORM OF CAPITAL APPRECIATION ELECTION OF
2006 GENERAL OBLIGATION BOND SERIES E**

R-_____

\$_____

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

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

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
RIVERSIDE COUNTY, CALIFORNIA
2005 GENERAL OBLIGATION BOND SERIES E**

ACCRETION RATE:	MATURITY DATE:	DATE OF ISSUANCE:	CUSIP
	_____ 1, 20__	_____, 2011	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

MATURITY VALUE:

The Corona-Norco Unified School District (the "District") in Riverside County, California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above. Interest due and payable on the Maturity Date consists of interest compounded from the Date of Issuance at the Accretion Rate specified above to the Maturity Date, assuming that the sum of such compounded interest and the Principal Amount hereof increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months (interest, together with the Principal Amount hereof, being herein called the "Accreted Value"). Accreted Value is payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register maintained by the Paying Agent, initially the U.S. Bank National Association. Accreted Value is payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

The bonds of this issue (the "Bonds") are comprised of Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. This bond is a Capital Appreciation Bond.

The Bonds have been issued to finance the construction, reconstruction, rehabilitation or replacement of school facilities, sites, furnishings and equipment under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent vote of the electors of the District cast at an election held on November 7, 2006, upon the question of issuing bonds in the amount of \$250,000,000 and the resolutions of the Board of Education of the District adopted on July 19, 2011 (the "District Resolution") and the resolution of the Board of Supervisors of the County of Riverside (the "County") adopted on August 16, 2011 (the "Bond Resolution"). Any capitalized terms not defined herein shall have the meaning set forth in the Bond Resolution. This bond and the issue of which this bond is a part are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes, under the laws now in force, are unlimited as to rate or amount. **THE BONDS OF THIS ISSUE ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OR MONEYS OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE BONDS OF THIS ISSUE.**

This bond is exchangeable and transferable for Capital Appreciation Bonds of like tenor, maturity and Transfer Amount and in authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District, the County and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary.

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

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

The Capital Appreciation Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium:

*Year
(August 1)*

*Principal Amount
To Be Redeemed*

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, shall select Bonds for redemption in such manner as directed by the District. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as directed by the District or if not so directed then by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that (i) the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof, (ii) the portion of any Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Maturity Value of such Capital Appreciation Bond, or any integral multiple thereof, and (iii) the portion of any Convertible Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Conversion Value of such Convertible Capital Appreciation Bond, or any integral multiple thereof. In selecting Bonds for redemption, the Paying Agent shall treat each Current Interest Bond as representing that number of Current Interest Bonds which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000, each Convertible Capital Appreciation Bond as representing that number of Convertible Capital Appreciation Bonds which is obtained by dividing the Conversion Value of such Convertible Capital Appreciation Bond by \$5,000, and each Capital Appreciation Bond as representing that number of Capital Appreciation Bonds which is obtained by dividing the Maturity Value of such Capital Appreciation Bond by \$5,000.

The rights and obligations of the County and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the County in certain cases with the written consent of Owners of at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the County and in certain cases without the consent of the Owners as further specified in the Resolution.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

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

District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Board of Supervisors has caused this Series E Bond to be executed on behalf of the District, in the official capacities and by the facsimile signatures of the Chairman of the Board of Supervisors of the County and the Treasurer-Tax Collector of the County, and to be countersigned by the facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

COUNTERSIGNED:

By:

Chairman of the Board of Supervisors

Clerk of the Board of Supervisors

Treasurer-Tax Collector of the County of
Riverside

CERTIFICATE OF AUTHENTICATION

This bond is one of the Capital Appreciation Bonds described in the Bond Resolution referred to herein, which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: _____
Its: Authorized Officer

(FORM OF LEGAL OPINION)

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Clerk of the Board of Supervisors of the County of Riverside

(FORM OF STATEMENT OF INSURANCE)

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-mentioned Series E Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

**FORM OF CONVERTIBLE CAPITAL APPRECIATION
ELECTION OF 2006 GENERAL OBLIGATION BOND SERIES E**

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

R-_____

\$_____

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
RIVERSIDE COUNTY, CALIFORNIA
2005 GENERAL OBLIGATION BOND SERIES E**

<i>ACCRETION RATE TO CONVERSION DATE</i>	<i>CONVERSION DATE</i>	<i>INTEREST RATE AFTER THE CONVERSION DATE</i>	<i>MATURITY DATE:</i>	<i>DATED DATE:</i>	<i>CUSIP</i>
____%	August 1, 20__	____%	August 1, 20__	_____, 2011	

REGISTERED OWNER: CEDE & CO.

INITIAL PRINCIPAL AMOUNT:

CONVERSION VALUE :

The Corona-Norco Unified School District (the "District") in Riverside County, California (the "County") for value received, promises to pay to the Registered Owner named above, or registered assigns, the Conversion Value on the Maturity Date, each as stated above, such Conversion Value comprising the principal amount and interest accreted thereon to the Conversion Date. Prior to the Conversion Date, this bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing February 1, 2012, at the Accretion Rate specified above to the Conversion Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the principal amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. After the Conversion Date, the District promises to pay to the Registered Owner named above, interest on the Conversion Value from the Conversion Date until the Conversion Value is paid or provided for at the Interest Rate After the Conversion Date stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing February 1, 2023. This bond will bear such interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the

month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before _____ 15, 20__, in which event it will bear interest from the Conversion Date. Conversion Value and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register maintained by U.S. Bank National Association (the "Paying Agent"). The Conversion Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

The Series E Bonds (the "Bonds") have been issued to finance the construction, reconstruction, rehabilitation or replacement of school facilities, sites, furnishings and equipment under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent vote of the electors of the District cast at an election held on November 7, 2006, upon the question of issuing bonds in the amount of \$250,000,000 and the resolution of the Board of Education of the District adopted on July 19, 2011 (the "District Resolution") and the resolution of the County Board of Supervisors adopted on August 16, 2011 (the "Bond Resolution"). Any capitalized terms not defined herein shall have the meaning set forth in the Bond Resolution. This bond and the issue of which this bond is a part are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are, under the laws now in force, unlimited as to rate or amount.

The bonds of this issue are comprised of Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. This bond is a Convertible Capital Appreciation Bond.

This bond is exchangeable and transferable for bonds of like series, tenor, maturity and Transfer Amount and in authorized denominations at the principal office of the Paying Agent in Los Angeles, California, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

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

The Convertible Capital Appreciation Bonds maturing on or after August 1, 20__ may be redeemed prior to maturity at the option of the District, from any source of funds, in whole or in part on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the Conversion Value thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

The Convertible Capital Appreciation Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the Conversion Value to be redeemed, without premium:

Date
(August 1)

Conversion Value
To Be Redeemed

† Final Maturity.

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, shall select Bonds for redemption in such manner as directed by the District. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as directed by the District or if not so directed then by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that (i) the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof, (ii) the portion of any Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Maturity Value of such Capital Appreciation Bond, or any integral multiple thereof, and (iii) the portion of any Convertible Capital Appreciation Bond to be redeemed in part shall be in an amount equal to the Accreted Value per \$5,000 Conversion Value of such Convertible Capital Appreciation Bond, or any integral multiple thereof. In selecting Bonds for redemption, the Paying Agent shall treat each Current Interest Bond as representing that number of Current Interest Bonds which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000, each Convertible Capital Appreciation Bond as representing that number of Convertible Capital Appreciation Bonds which is obtained by dividing the Conversion Value of such Convertible Capital Appreciation Bond by \$5,000, and each Capital Appreciation Bond as representing that number of Capital Appreciation Bonds which is obtained by dividing the Maturity Value of such Capital Appreciation Bond by \$5,000.

The portion of any Convertible Capital Appreciation Bond to be redeemed shall be in integral multiples of Accreted Value per \$5,000 Conversion Value. Within a maturity, the Convertible Capital Appreciation Bonds shall be selected by the Paying Agent for redemption by lot.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the County, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The Registered Owner of this Series E Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the Bonds described herein in order to make them legal, valid and binding general obligation bonds of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting ad valorem property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Board of Supervisors has caused this Series E Bond to be executed on behalf of the District, by the facsimile signatures of the Chairman of the Board of Supervisors of the County and the Treasurer-Tax Collector of the County, and to be countersigned by the facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

Chairman of the Board of Supervisors

COUNTERSIGNED:

Clerk of the Board of Supervisors

Treasurer-Tax Collector of the County of Riverside

(FORM OF CERTIFICATE OF AUTHENTICATION)

This bond is one of the Current Interest Bonds described in the Bond Resolution referred to herein, which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying
Agent

By: _____
Its: Authorized Officer

(FORM OF LEGAL OPINION)

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Clerk of the Board of Supervisors of the County of
Riverside

(FORM OF STATEMENT OF INSURANCE)

[TO COME]

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-mentioned Series E Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

EXHIBIT D

FULL TEXT BALLOT PROPOSITION OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT BOND MEASURE ELECTION NOVEMBER 7, 2006

The following is the full text ballot proposition presented to the voters by the Corona-Norco Unified School District on November 7, 2006.

Corona-Norco Unified School District School Overcrowding and Class Size Reduction Measure: To improve learning and prepare for enrollment growth at Corona, Norco, Eastvale and Temescal Valley schools, shall Corona-Norco Unified School District:

- Build new classrooms, elementary, intermediate and high schools;
- Increase kindergarten classrooms;
- Add school libraries;
- Create reading, science and computer labs;
- Upgrade security, sprinklers, smoke detectors and fire doors;

by issuing \$250 million in bonds at legal interest rates, with annual financial audits, citizens' oversight, and no money for administrators' salaries?

In developing the list of school facilities to be funded by the bonds, the Board of Education of the Corona-Norco Unified School District (the "Board") has evaluated safety, class size reduction and information technology needs at all schools, including consideration of the following factors:

- The District's enrollment is growing rapidly and, in the next five years, enrollment is expected to rise by ten thousand students.
- Classrooms are overcrowded, which makes it difficult to quickly and safely evacuate schools during an emergency, such as a fire, and increases the potential for violence among students.
- There is no available space for additional kindergarten students in any neighborhood school.
- Enrollment projections show that six new elementary schools are needed to serve the District's rapidly growing student population.
- The District needs to build more permanent classrooms and additional schools to reduce class sizes and keep class sizes under 20 students per teacher in elementary schools.

The Board has approved a Master Facilities Plan to evaluate and prioritize the school facilities improvements needed at all District schools and sites to provide quality instruction to all

students. The Master Facilities Plan was developed with the input of teachers, school site staff, community members and local business leaders. To implement the Master Facilities Plan, the District has diligently pursued funding from the State of California and new development in the District. The District's school facility needs far outdistance available resources, and general obligation bonds are the only available source of funds to enable the District to provide critically needed school facilities.

A copy of the District's Master Facilities Plan and more detailed information on the school facilities projects to be funded are on file at the office of the Assistant Superintendent, Facilities of the District.

PROJECT LIST

The following projects qualify to be funded with proceeds of the general obligation bonds to be authorized by this proposition:

PROJECT LIST

The following projects qualify to be funded with proceeds of the general obligation bonds to be authorized by this proposition:

<i>New Schools</i>	<i>Construction Projects</i>
Parks Elementary	Eastvale
VanderMolen Elementary	Eastvale
Yorba Elementary	Eastvale
Paseo Grande Intermediate	West Corona
Ramirez Intermediate	Eastvale
Orange Grove High School	Corona
Rancho Serrano High School	Temescal Valley

<i>School</i>	<i>Projects</i>
<i><u>Elementary Schools</u></i>	
Adams	Construct Library and Instructional/Multipurpose Room, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Anthony	Improve Campus Safety and Security, Add Shade Structures and Upgrade Unsafe Equipment, Improve Technology Systems
Barton	Add Instruction Space, Add Shade Structures and Upgrade Site Equipment
Chavez	Construct Library, Improve Kindergarten Classrooms, Add Shade Structures and Upgrade Site Equipment, Improve Technology Systems
Corona Ranch	Improve Campus Safety, Add Shade Structures and Upgrade Equipment and Improve Technology Systems
Coronita	Upgrade Instructional/Multipurpose Room, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Eisenhower	Add Instruction Space, Shade Structures and Upgrade Site Equipment
Foothill	Add Shade Structures and Upgrade Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Franklin	Add Shade Structures and Upgrade Site Equipment
Garretson	Construct Library and Instructional/Multipurpose Room, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, and Upgrade Restrooms
Harada	Add Shade Structures, Parking and Upgrade Site Equipment
Highland	Construct Kindergarten and Library Buildings, Improve Campus Safety and Security, Improve Site Facilities and Equipment, Improve Technology

Systems, and Replace Portables

Home Gardens	Construct Computer Laboratory, Library and Office Building, Construct New Kindergarten Classrooms, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Jefferson	Construct Kindergarten Classrooms, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Lincoln	Construct Library and Multipurpose Space, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
McKinley	Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Site Equipment, Improve Technology Systems, Upgrade or Replace Portables and Upgrade Restrooms
Norco	Construct Instructional/Multipurpose Room, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, and Upgrade Restrooms
Orange	Add Shade Structures and Upgrade Site Equipment, and Add Modular Work/Instruction Area
Parkridge	Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Prado View	Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, and Replace Portables
Riverview	Construct Library, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Sierra Vista	Construct Library and Add Instructional/Multipurpose Space, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Stallings	Construct/Improve Kindergarten Classrooms, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Temescal Valley	Add Shade Structures and Upgrade Site Equipment
Vicentia	Construct Instructional/Multipurpose Room, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and

	Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Washington	Construct New Library, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms
Wilson	Improve Campus Safety and Security, Add Shade Structures and Upgrade Site Equipment
Bower	Add Instructional Space, Parking and Upgrade Site Equipment

Intermediate Schools

Auburndale	Construct Laboratory Facilities, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems and Construct Physical Education Facilities
Citrus Hills	Correct Dangerous Site Conditions, Add Instruction Space, Shade Structures and Improve Unsafe Site Equipment, Improve Technology Systems, and Upgrade Portables
Corona Fund.	Construct Instructional/Multipurpose Area, Improve Campus Safety and Security, Correct Site Conditions, Add Shade Structures and Upgrade Site Equipment, Improve Technology Systems, and Upgrade Restrooms
El Cerrito	Construct Group Instruction Area, Improve Site Facilities and Equipment, Replace Portables and Upgrade Restrooms
Norco	Construct Laboratory and Student Support/Administration Office, Improve Campus Safety and Security, Improve Library, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Upgrade Restrooms, and Construct Physical Education Facilities
Raney	Construct Science Classrooms and Laboratory Facilities, Improve Campus Safety and Security, Correct Dangerous Site Conditions, Add Shade Structures and Upgrade Unsafe Site Equipment, Improve Technology Systems, Replace Portables and Upgrade Restrooms and Construct Physical Education Facilities

High Schools

Buena Vista	Construct Classroom/Group Instruction Facilities
Centennial	Construct Performing Arts Facility, Student Support/Administration Office, Improve Campus Safety and Security, Improve Site Conditions, Improve Technology Systems, Replace Portables, Upgrade Restrooms, and Construct/Improve Physical Education Facilities and Equipment

Corona	Improve Campus Safety and Security, Improve Site Facilities, Replace Portables, Upgrade Restrooms, and Construct/Improve Physical Education Facilities and Equipment
Norco	Construct Performing Arts Facility, Improve Campus Safety and Security, Improve Site Conditions, Improve Technology Systems, Replace Portables and Unsafe Seating/Bleachers, Upgrade Restrooms and Construct/Improve Physical Education Facilities and Equipment
Orange Grove/Adult Education	Construct Classroom, Group Instruction, Library and Office Facilities, Improve Campus Safety and Security, Improve Site Conditions and Equipment and Construct/Improve Physical Education Facilities
Roosevelt	Completion of project including acquisition of the existing lease to finance a portion of the construction costs
Santiago	Construct Science Laboratory Space and Improve Equipment, Improve Technology Systems, Replace Portables and Construct/Improve Physical Education

Listed repairs, rehabilitation, upgrades and new construction projects will be completed as needed at a particular site. Each project funded with bond proceeds may include needed equipment and furniture and will include architectural, engineering, inspection and similar planning costs, construction management costs, bond issuance costs, demolition and interim housing costs, and a customary contingency for unforeseen design and construction costs. The allocation of bond proceeds will be affected by final cost estimates and may be affected by factors beyond the District's control. The final cost of each project and the priority of the projects to be funded will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, including State of California grant funds for eligible projects, have not yet been secured. Therefore, the Board cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects. The Board will establish the priority of the projects to be funded and the timing for each project.

No Administrator Salaries. Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, including the acquisition or lease of real property for school facilities or the prepayment of an existing or future interim lease or certificates of participation financing, and not for any other purpose, including teacher and administrator salaries and other operating expenses.

Fiscal Accountability: The expenditure of bond proceeds by the District is subject to stringent financial accountability requirements. Performance and financial audits will be performed annually, and all bond expenditures will be monitored by an independent Citizens' Oversight Committee to ensure that funds are spent as promised and specified. In accordance with Section 15282 of the Education Code, the Citizens' Oversight Committee shall consist of at least seven members and shall include a member active in a business organization representing the business community located within the District, a member active in a senior citizens' organization, a member active in a bona fide taxpayers' organization, a member that is a parent or guardian of a child enrolled in the District, and a member that is both the parent or guardian of a child enrolled in the

District and active in a parent-teacher organization. No District employees or vendors are allowed to serve on the Citizens' Oversight Committee.

Special Bond Proceeds Account; Annual Report to Board. Upon approval of this proposition and the sale of any bonds approved, the Board shall take actions necessary to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Superintendent of the District shall cause a report to be filed with the Board no later than January 1 of each year, commencing January 1, 2008, stating (a) the amount of bond proceeds received and expended in that year, and (b) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as the Superintendent of the District shall determine, and may be incorporated into the annual budget, audit or other appropriate routine report to the Board.

\$ _____
**CORONA-NORCO UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE, CALIFORNIA
ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E**

CONTRACT OF PURCHASE

_____, 2011

County of Riverside
Board of Supervisors
4080 Lemon Street, 5th Floor
Riverside, California 92501

Corona-Norco Unified School District
2820 Clark Avenue
Norco, California 92860

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Contract of Purchase (the "Purchase Contract") with the County of Riverside, California (the "County"), and the Corona-Norco Unified School District, (the "District"), which, upon your acceptance hereof, will be binding upon the District, the County and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the County and the District and delivery of such acceptance to the Underwriter at its office specified in Section 13 below prior to 11:59 p.m., California Time, on the date hereof.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$ _____ in aggregate initial amount of the District's Election of 2006 General Obligation Bonds Series E (the "Bonds"), which consist of \$ _____ Series E Current Interest Bonds, \$ _____ of Series E Capital Appreciation Bonds and \$ _____ of Series E Convertible Capital Appreciation Bonds as specified in Exhibit A hereto. The Bonds shall bear or accrete interest at the rates, and shall mature in the principal amounts and in the years shown on Appendix A hereto, which is incorporated herein by this reference. The Series E Current Interest Bonds are dated their date of delivery and bear interest payable semiannually on each February 1 and August 1, commencing August 1, 20___. The Series E Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012, which accreted interest is payable only at maturity. A table of accreted values for the Series E Capital Appreciation Bonds and the Series E Convertible Capital Appreciation Bonds is shown on Appendix A hereto, which is incorporated herein by this reference.

2. The Bonds. The Bonds are subject to redemption as set forth in Appendix A hereto. In all other respects the Bonds shall be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the District adopted on July 19, 2011 (the "District Resolution") and the Resolution of the Board of Supervisors of the County adopted _____, 2011 (the "County Resolution" and collectively with the District Resolution, the "Resolutions"), Chapter 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code commencing with Section 15264 (the "Act") and paragraph (3) of subdivision (b) of Article XIII A of the California Constitution. All capitalized terms used herein without definition shall have the meanings given to them in the County Resolution.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the Resolutions. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds shall initially be in authorized denominations of \$5,000 principal amount or any integral multiple thereof for the Series E Current Interest Bonds, \$5,000 maturity value or any integral multiple thereof for the Series E Capital Appreciation Bonds and \$5,000 Conversion Value, or any integral multiple thereof in the case of the Series E Convertible Capital Appreciation Bonds.

3. Use of Documents. The District and the County hereby authorize the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract and an Official Statement (defined below), the Resolutions and all information contained herein and therein and all of the documents, certificates or statements furnished by the District or the County to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

4. Public Offering of the Bonds. The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering price or yield set forth in Appendix A and to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Bonds. On or prior to the Closing, the Underwriter shall certify to the District in writing, in form and substance satisfactory to the District and to Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel with respect to the Bonds ("Bond Counsel"), that: (i) as of the date of sale, all of the Bonds purchased were reasonably expected to be reoffered in a bona fide public offering; (ii) as of the date of the certification, all of the Bonds purchased had actually been offered to the general public; (iii) the maximum initial bona fide offering prices at which a substantial amount (at least 10%) of each maturity of the Bonds purchased was sold or was reasonably expected to be sold to the general public.

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

5. Review of Official Statement. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2011 (the "Preliminary Official Statement"). The District represents that it has deemed the Preliminary Official Statement to be final, except for either revisions or additions relating to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement, together with any amendments and supplements thereto. Such Preliminary Official Statement shall be provided electronically or be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received. The Underwriter agrees that it will deliver a copy of the final Official Statement to each purchaser of the Bonds as required by the Rule. The Underwriter agrees that, in accordance with Rule G-32 of the Municipal Securities Rulemaking Board, within one business day after receipt from the District but by no later than the Closing (as defined below), it will file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

6. Closing. At 8:00 a.m., California Time, on _____, 2011, or at such other time or on such other date as shall have been mutually agreed upon by the Underwriter, the County and the District (the "Closing"), the County and the District shall cause to be delivered to the Underwriter, at the facilities of The Depository Trust Company ("DTC") in New York, New York, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, in Newport Beach, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the net purchase price thereof, of \$_____ (being equal to the aggregate initial amount of the Bonds, plus original issue premium of \$_____, less an Underwriter's discount of \$_____, less the bond insurance premium of \$_____ to be paid by the Underwriter to Assured Guaranty Municipal Corp. (the "Insurer")) in immediately available funds by check or wire transfer to the County.

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

(a) **Due Organization.** The District is a public instrumentality duly organized and validly existing under the laws of the State of California, with the power to cause the Bonds to be issued by the County on its behalf pursuant to the Act.

(b) **Due Authorization.** (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Contract and the Continuing Disclosure Agreement, to adopt the District Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract, the Continuing Disclosure Agreement and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the County Resolution, the Continuing Disclosure

Agreement and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract and the Continuing Disclosure Agreement constitute valid and legally binding obligations of the District; (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract and the Continuing Disclosure Agreement; and (vi) no statutory or constitutional limitation on indebtedness or taxation will be exceeded in issuing the Bonds.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Contract and the Continuing Disclosure Certificate, the adoption of the District Resolution, or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

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

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

(f) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District directly, nor the County on behalf of the District at the District's request, will have issued in the name and on behalf of the District any bonds,

notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(g) Compliance with Internal Revenue Code. The District will comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

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

(i) Continuing Disclosure. At or prior to the Closing, the District shall have duly authorized, executed and delivered the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall comply with the provisions of Rule 15c2-12(b)(5) and be substantially in the form attached to the Official Statement in Appendix D. Within the past five years, the District has never failed to comply in all material respects with any of its previous undertakings under the Rule.

(j) Official Statement. Except as set forth in the following sentence, the Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof, the Final Official Statement did not, and as of the Closing Date it will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the Final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein or as to CUSIP numbers or the information therein provided by the Insurer or relating to DTC and its book-entry system.

(k) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the County Auditor and the County Treasurer-Tax Collector a copy of the District Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with Education Code Section 15140(c) and policies and procedures of the County.

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

(a) Due Organization. The County is a political subdivision duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds on behalf of the District pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the County has full legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, to issue and deliver the Bonds to the Underwriter on behalf of the District and to perform its obligations under each such document or instrument, and to carry out and effectuate the

transactions contemplated by this Purchase Contract and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Bonds, the County Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract constitutes a valid and legally binding obligation of the County; and (v) the County has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, or which have not been taken or obtained; except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, provided, however, that the County shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

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

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

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

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

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

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

9. Covenants of the County and the District. The District covenants and agrees with the Underwriter and in the case of Section 9(e) below with the owners of the Bonds that:

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

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

(c) Official Statement. The District will deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Contract is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being called the "Official Statement") in such reasonable quantities as may be requested by the Underwriter not later than five (5) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is the earlier of twenty-five (25) days after the End of the Underwriting Period (as defined below) or the date on which all of the Bonds have been sold by the Underwriter;

(e) Amendments to Official Statement. During the period ending on the earlier of the 25th day after the End of the Underwriting Period (as defined below) or the date on which all of the Bonds have been sold by the Underwriter, the District will amend or supplement the Official

Statement in any manner necessary to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, and (at the expense of the District) shall deliver a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. As used herein, the term "End of the Underwriting Period" means the later of such time as (i) the Bonds are delivered to the Underwriter, or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing, and shall specify a date (other than the date of Closing and not more than 90 days after the Closing) to be deemed the "End of the Underwriting Period."

10. Representations, Warranties and Agreements of the Underwriter. The Underwriter represents to and agrees with the District and the County that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under the Purchase Contract required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District and the County and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c), with the District or the County with respect to the Bonds; and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has reasonably determined that the District's undertaking to provide continuing disclosure with respect to the Bonds pursuant to the provisions of the Continuing Disclosure Agreement is sufficient to effect compliance with Rule 15c2-12.

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

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

County and the District shall be in compliance with each of the agreements made by it in this Purchase Contract;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Contract, the District Resolution and the County Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County and the District shall perform or have performed all of their obligations required under or specified in the District Resolution, the County Resolution, this Purchase Agreement, the Continuing Disclosure Agreement and the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or to the best knowledge of the County or the District, be threatened which has any of the effects described in Section 7(e) or 8(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

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

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

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) the declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency;

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

(8) the suspension by the Securities and Exchange Commission of trading in the outstanding securities of the District.

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

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District substantially in the form attached as Appendix A to the Preliminary Official Statement;

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

(3) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "THE BONDS" and "LEGAL MATTERS—Tax Exemption," and in Appendices A and C, to the extent they purport to summarize certain provisions of the Resolution, the Continuing Disclosure Agreement and the form or substance of Bond Counsel's approving opinion with respect to the Bonds, are accurate in all material respects; provided that Bond Counsel need not express any opinion with respect to any financial or statistical data, information concerning The Depository Trust Company or related to its book-entry only system;

(ii) assuming due authorization, execution and delivery by all the parties thereto other than the District, the Continuing Disclosure Agreement and this Purchase Contract have each been duly authorized, executed and delivered by the District and constitute legal, valid and binding agreements of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles, the exercise of judicial discretion in appropriate cases if equitable remedies are sought and the limitations on legal remedies against public agencies in the State of California; and

(iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(4) Disclosure Counsel Letter. A letter, dated the date of the Closing and addressed to the Underwriter, of Stradling Yocca Carlson & Rauth, a Professional Corporation, in its capacity as Disclosure Counsel to the District, to the effect that, based upon its participation in the preparation of the Official Statement, Disclosure Counsel advises the Underwriter as a matter of fact and not opinion that, during the course of its role as Disclosure Counsel with respect to the Bonds, no facts came to the attention of the attorneys in the firm rendering legal services in connection with such role which caused Disclosure Counsel to believe that the Official Statement as of its date contained, or as of the date of Closing contains, any untrue statement of a material fact or as of its date omitted, or as of the date of Closing omits, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (in each case except for financial statements, the information set forth in the Appendices to the Official Statement, any CUSIP numbers, financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about the Insurer, DTC and its book-entry system or tax-exemption included or referred to therein, which Disclosure Counsel expressly excludes from the scope of such letter and as to which Disclosure Counsel expresses no opinion or view);

(5) Certificate of the County. A certificate signed by an appropriate official of the County to the effect that (i) such official is authorized to execute this Purchase Contract; (ii) the representations, agreements and warranties of the County herein are true and correct in all material respects as of the date of Closing; (iii) the County has complied with all the terms of the County Resolution and this Purchase Contract to be complied with by the County prior to or concurrently with the Closing and such documents are in full force and effect; (iv) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the County Resolution; and (v) the information in the Official Statement under the caption "RIVERSIDE COUNTY TREASURY POOL" is accurate and does not omit any material fact;

(6) Certificate of the District. A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Purchase Contract; (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing; (iii) the District has complied with all the terms of the District Resolution, the Continuing Disclosure Agreement and this Purchase Contract to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect; (iv) such District official has reviewed the Official Statement and on such basis

certifies that the Official Statement (other than the information therein provided by the Insurer and as to DTC and the book-entry system, as to which no view is expressed) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the County Resolution; and (vi) no consent is required for inclusion of the District's Fiscal Year 2009-10 audit in the Official Statement;

(7) Tax Certificate. A tax certificate of the District in form satisfactory to Bond Counsel;

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

(i) such copy is a true and correct copy of the District Resolution;
and

(ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(9) District Counsel Opinion. An opinion of counsel to the District substantially in the form attached as Appendix B;

(10) County Resolution. A certificate, together with a fully executed copy of the County Resolution, of the Clerk of the Board of Supervisors to the effect that:

(i) such copies are true correct copies of the County Resolution;
and

(ii) the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(11) County Counsel Opinion. An opinion of counsel to the County substantially in the form attached hereto as Appendix C;

(12) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with the Rule; and

(13) Rating. Evidence as of the Closing Date satisfactory to the Underwriter that the Bonds have received, at a minimum, a rating of "Aa3" from Moody's Investors Service ("Moody's") and a rating of "AA+" from Standard & Poor's Ratings Services ("S&P"), provided that, upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds is issued by the Insurer and that such ratings have not been revoked or downgraded;

(14) Bond Insurance. An executed municipal bond insurance policy (the "Policy") of the Insurer insuring the scheduled payment of principal of and interest on the Bonds, substantially in the form attached as Appendix H of the Official Statement;

(15) Opinion of Counsel to Insurer. An opinion of counsel to the Insurer, dated as of the date of Closing, addressed to the Underwriter and the District and the County in form and substance acceptable to the Underwriter, substantially to the effect that: (i) the Insurer has been duly incorporated and is validly existing and in good standing under the laws of the State of its incorporation; (ii) the Policy constitutes the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors' and/or claimants' rights against insurance companies and to general equity principles; and (iii) the information contained in the Official Statement under the caption "BOND INSURANCE" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(16) Form 8038-G. Evidence that the federal tax information Form 8038-G has been prepared for filing;

(17) Notice of Final Sale. A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

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

(f) Termination. If the County and/or the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract prior to the close of business on the date of Closing and if such unsatisfied conditions have not been waived by the Underwriter, or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 12 hereof.

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

13. Expenses. The Underwriter shall pay from its own funds out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, travel (except in connection with securing a rating on the Bonds) and other expenses incurred by it.

The District shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the Bonds (or from any other source of available funds of the District). The expenses to be paid by the District include: (i) the cost of the preparation and reproduction of the

Resolution; (ii) the fees and expenses of consultants; (iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of Underwriter's Counsel; (v) the cost of the preparation, printing and delivery of the Bonds; (vi) the cost of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance herewith; (vii) initial rating fees of S&P and Moody's; (viii) fees and expenses of the Paying Agent for the Bonds; and (ix) the premium for the Policy issued by the Insurer.

In the event that the Closing does not occur, the Underwriter shall not be responsible for any costs related to the proposed issuance of the Bonds, which costs, if any are due, shall be the responsibility of the District.

14. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the County, to the Treasurer-Tax Collector of the County of Riverside, 4080 Lemon Street, Riverside, California 92501; if to the District, to the Superintendent, Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860; or if to the Underwriter, to Piper Jaffray & Co., 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245, Attention: Municipal Finance e.

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

16. Effective. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the County and the District and shall be valid and enforceable as of the time of such acceptance.

17. No Prior Agreements. This Purchase Contract supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of the Bonds.

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

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

Very truly yours,

PIPER JAFFRAY & CO.

By: _____
Authorized Representative

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

COUNTY OF RIVERSIDE

By: _____
Treasurer-Tax Collector

APPROVED AS TO FORM:

PAMELA J. WALLS, County Counsel

By: _____
Deputy County Counsel

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: _____
Assistant Superintendent, Facilities

APPENDIX A

MATURITY SCHEDULE

ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E

\$ _____ Series E Current Interest Serial Bonds

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Rate</i>	<i>Yield</i>
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\$ _____ % Term Bonds due August 1, 20__ - Yield _____ %

\$ _____ Series E Capital Appreciation Bonds

<i>Maturity Date (August 1)</i>	<i>Original Principal Amount</i>	<i>Reoffering Principal Amount</i>	<i>Accretion Rate</i>	<i>Reoffering Yield to Maturity</i>	<i>Maturity Value</i>
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\$ _____ Series E Convertible Capital Appreciation Bonds

<i>Maturity Date (August 1)</i>	<i>Original Principal Amount</i>	<i>Conversion Date</i>	<i>Accretion Rate</i>	<i>Reoffering Yield to Maturity</i>	<i>Conversion Value</i>	<i>Interest Rate Upon Conversion</i>	<i>CUSIP[†]</i>
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Redemption Provisions

Optional Redemption of the Series E Current Interest Bonds. The Series E Current Interest Bonds maturing on or before August 1, 2018, are not subject to redemption prior to their maturity dates. The Series E Current Interest Bonds maturing on or after August 1, 2019 may be redeemed before maturity at the option of the District, from any source of funds, on or after August 1, 2018 as a whole, or in part by lot. The Series E Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Series E Current Interest Bonds redeemed prior to maturity, if any, will be redeemed at a redemption price equal to 100% of the principal amount thereof together with accrued interest to date of redemption, without premium.

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

Optional Redemption of the Series E Convertible Bonds. The Series E Convertible Bonds maturing on or after August 1, 20__ may be redeemed prior to maturity at the option of the District, from any source of funds, in whole or in part on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the Conversion Value thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Sinking Fund Redemption for the Series E Current Interest Bonds. The Series E Current Interest Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium:

Date

***Principal Amount
To Be Redeemed***

†

† Final Maturity.

ACCRETED VALUE TABLE

APPENDIX B

FORM OF DISTRICT COUNSEL OPINION

**§ _____
CORONA-NORCO UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE, CALIFORNIA
ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E**

(Introduction)

1. The District is a school district duly organized and existing pursuant to the Constitution and the laws of the State of California.

2. The District Resolution was duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.

3. The District Resolution has been duly executed and remains in effect and is valid, binding and enforceable against the District except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. To our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against the District, which would adversely impact the District's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the levy or collection of tax revenues pledged for the Bonds or in any way contesting or affecting the validity of the District Resolution or the Bonds or the transactions described in and contemplated by the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the District Resolution or the Bonds or in which a final adverse decision could materially adversely affect the operations of the District.

5. To our knowledge, the obligations of the District under the Bonds, and the approval of the Official Statement and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject.

Very truly yours,

APPENDIX C

FORM OF OPINION OF COUNTY COUNSEL

**§ _____
CORONA-NORCO UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE, CALIFORNIA
ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E**

(Introduction)

1. The County is a political subdivision duly organized and existing pursuant to the Constitution and the laws of the State of California.

2. The County Resolution was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.

3. The County Resolution has been duly executed and remains in effect and is valid, binding and enforceable against the County except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. To our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against the County, which would adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the levy or collection of tax revenues pledged for the Bonds or in any way contesting or affecting the validity of the County Resolution or the Bonds or the transactions described in and contemplated by the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the County Resolution or the Bonds or in which a final adverse decision could materially adversely affect the operations of the County.

5. To our knowledge, the obligations of the County under the Bonds, and the approval of the Official Statement and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject.

Very truly yours,

County Counsel

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

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

NEW ISSUE—FULL BOOK-ENTRY

**RATINGS: Moody's: "Aa3" (Insured) "—" (Underlying)
Standard & Poor's: "AA+" (Insured) "—" (Underlying)
(See "MISCELLANEOUS—Ratings" herein.)**

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

\$21,572,878.35*

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)**

ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

This Official Statement describes the \$21,572,878.35* Corona-Norco Unified School District, Riverside County, California, Election of 2006 General Obligation Bonds Series E (the "Series E Bonds"). The Series E Bonds are being issued by the Board of Supervisors of the County of Riverside on behalf of the Corona-Norco Unified School District (the "District"). The Series E Bonds were authorized at a special election of the registered voters of the District held on November 7, 2006, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$250,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The District has issued \$228,427,121.65 of general obligation bonds pursuant to the Authorization. The Series E Bonds represent the fifth and final series of bonds issued under the Authorization and are being issued to finance various school facilities for the District.

The Series E Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of Riverside County is empowered and is obligated to levy *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Series E Bonds when due. The District has \$_____ of other general obligation bonds outstanding (the "Prior General Obligation Bonds") which also are secured by and payable on a parity with the Series E Bonds from *ad valorem* taxes levied on taxable property within the District. See "TAX BASE FOR REPAYMENT OF SERIES E BONDS—*Ad Valorem* Property Taxation" herein.

The Series E Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers will not receive certificates representing their interest in the Series E Bonds. Payments of principal of and interest on the Series E Bonds will be paid by U.S. Bank National Association, as the Paying Agent, Registrar and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Series E Bonds. See "THE SERIES E BONDS—Book-Entry Only System" herein.

The Series E Bonds will be issued as both capital appreciation bonds (the "Series E Capital Appreciation Bonds"), current interest bonds (the "Series E Current Interest Bonds") and convertible capital appreciation bonds (the "Series E Convertible Bonds").

Interest on the Series E Current Interest Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. The Series E Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

The Series E Capital Appreciation Bonds are dated the date of delivery of the Series E Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012, which accreted interest is payable only at maturity. The Series E Capital Appreciation Bonds are issuable in denominations of \$5,000 maturity value or any integral multiple thereof.

The Series E Convertible Bonds are dated the date of delivery of the Bonds and each maturity thereof will accrete interest from such date to its Conversion Date (defined herein) and will bear interest payable on the Conversion Value (defined herein) semiannually on each February 1 and August 1 following the Conversion Date.

The Series E Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES E BONDS—Redemption Provisions" herein.

The scheduled payment of principal of (or, in the case of Series E Capital Appreciation Bonds and Series E Convertible Bonds, the accreted value) and interest on the Series E Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series E Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE."

[Assured Guaranty LOGO]

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

**MATURITY SCHEDULE
(See Inside Front Cover)**

This cover page contains certain information for 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 Series E Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the County by County Counsel and for the District by its counsel Parker & Covert LLP, Tustin, California. The Series E Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York on or about _____, 2011.

PIPER JAFFRAY & CO.

Dated: _____, 2011

* Preliminary, subject to change.

MATURITY SCHEDULE

ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E

\$12,360,000 Series E Current Interest Serial Bonds

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>
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\$ _____ % Term Bonds due August 1, 20__ - Yield _____ % CUSIP[†] _____

\$ _____ Series E Capital Appreciation Bonds

<i>Maturity Date (August 1)</i>	<i>Original Principal Amount</i>	<i>Reoffering Principal Amount</i>	<i>Accretion Rate</i>	<i>Reoffering Yield to Maturity</i>	<i>Maturity Value</i>	<i>CUSIP[†]</i>
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\$ _____ Series E Convertible Capital Appreciation Bonds

<i>Maturity Date (August 1)</i>	<i>Original Principal Amount</i>	<i>Conversion Date</i>	<i>Accretion Rate</i>	<i>Reoffering Yield to Maturity</i>	<i>Conversion Value</i>	<i>Interest Rate Upon Conversion</i>	<i>CUSIP[†]</i>
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[†] Copyright 2009, American Bankers Association. CUSIP[®] data herein is provided by Standard & Poor's, CUSIP[®] Service Bureau, a division of The McGraw-Hill Companies, Inc. The District takes no responsibility for the accuracy of such data.

No dealer, broker, salesperson or other person has been authorized by the District, the County or the Underwriter to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District, the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series E 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 Series E Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

The information and expression 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 or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Series E Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “THE DISTRICT,” and “DISTRICT FINANCIAL MATTERS” and Appendix D—“RIVERSIDE COUNTY TREASURER’S INVESTMENT POLICY” herein.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the District has agreed to provide certain on-going financial and operating data on an annual basis, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See “CONTINUING DISCLOSURE” and Appendix C—“FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

All information material to the making of an informed investment decision with respect to the Series E Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

Assured Guaranty makes no representation regarding the Series E Bonds or the advisability of investing in the Series E Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “BOND INSURANCE” and “APPENDIX H—SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.”

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES E BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES E BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER

BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES E BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Bob Buster, Chairman
First District

John F. Tavaglione
Second District

Jeff Stone, Vice-Chairman
Third District

John J. Benoit
Fourth District

Marion Ashley
Fifth District

COUNTY OFFICIALS

Bill Luna
County Executive Officer

Don Kent
Treasurer-Tax Collector

Paul Angulo, CPA, MA
Auditor-Controller

Pamela J. Walls
County Counsel

CORONA-NORCO UNIFIED SCHOOL DISTRICT

Board of Education

Cathy Sciortino, President
Bill Newberry, Vice President
Jose Lalas, Clerk
Michell Skipworth, Member
John Zickefoose, Member

School District Administrators

Kent L. Bechler, Ph.D., Superintendent
Thomas R. Pike, Assistant Superintendent, Executive Services
Gregory Plutko, Ed.D., Deputy Superintendent, Educational Services
Michael Lin, Ed.D., Assistant Superintendent, Human Resources
David Hanson, Ed.D., Assistant Superintendent, Instructional Support
Sherry Mata, Assistant Superintendent, Business Services
Ted E. Rozzi, Assistant Superintendent, Facilities

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

District Counsel

Parker & Covert LLP
Tustin, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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\$21,572,878.35*
CORONA-NORCO UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
ELECTION OF 2006 GENERAL OBLIGATION BONDS SERIES E

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Corona-Norco Unified School District (the "District"), located in Riverside County, California, to provide information concerning the \$21,572,878.35* Corona-Norco Unified School District, Riverside County, California, Election of 2006 General Obligation Bonds Series E (the "Series E Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page 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 Series E Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District was established in 1948 and encompasses 148 square miles in northwestern Riverside County (the "County") including the cities of Corona and Norco and adjacent unincorporated areas. The District operates 30 elementary schools, 7 intermediate schools, 5 comprehensive high schools and 3 alternative high schools. The total enrollment in the District during fiscal year 2010-11 was approximately 53,109 students, and is projected to be approximately 53,020 for fiscal year 2011-12. See "THE DISTRICT."

Sources of Payment for the Series E Bonds

Ad Valorem Taxes. The Series E Bonds are general obligation bonds of the District approved by the voters of the District at a November 7, 2006 election. The Board of Supervisors of the County has the power and is obligated annually to levy *ad valorem* taxes for the payment of the Series E Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES E BONDS" herein.

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

Purpose of Issue

Proceeds from the Series E Bonds will be used for one or more of the purposes authorized at the November 7, 2006 election which include: building new classrooms, elementary, intermediate and high schools, increasing kindergarten classrooms, adding school libraries, creating reading, science and computer labs and upgrading security, sprinklers, smoke detectors and fire doors.

* Preliminary, subject to change.

Description of the Series E Bonds

The Series E Bonds. The Series E Bonds will be issued as current interest bonds (the "Series E Current Interest Bonds"), capital appreciation bonds (the "Series E Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Series E Convertible Bonds"). The Series E Bonds mature on August 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement.

Payments. Interest on the Series E Current Interest Bonds accrues from the date of delivery of the Series E Current Interest Bonds at the rates set forth on the inside cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing February 1, 2012.

The Series E Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The maturity amount of each Series E Capital Appreciation Bond is equal to its Accreted Value (as defined below) upon the maturity thereof (the "Maturity Value"), being comprised of its initial principal amount plus the interest compounded thereon between the delivery date and the maturity date.

The Series E Convertible Bonds initially will be issued as capital appreciation bonds, and each maturity of Convertible Bonds will convert to current interest bonds on the conversion date set forth on the inside cover page of this Official Statement (the "Conversion Date"). During the period while the Series E Convertible Bonds are in the form of capital appreciation bonds, they will not pay interest on a current basis but will accrete interest through their Conversion Date at the applicable rate set forth on the inside cover hereof. From and after the Conversion Date for a Convertible Bond, it will bear interest payable on a current basis on its Conversion Value (as defined herein) on the Conversion Date. No payment will be made to the Owner of a Convertible Bond on or prior to the Conversion Date for such Convertible Bond.

See "THE SERIES E BONDS—Description of the Series E Bonds" herein.

Registration. The Series E Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Series E Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series E Bonds. See "THE SERIES E BONDS—Book-Entry Only System" herein.

Denominations. The Series E Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of \$5,000 principal amount in the case of Series E Current Interest Bonds, \$5,000 Maturity Value in the case of Series E Capital Appreciation Bonds and \$5,000 Conversion Value in the case of Series E Convertible Bonds, or any integral multiple thereof. One Series E Capital Appreciation Bond may have an odd Maturity Value in excess of \$5,000.

Redemption. The Series E Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES E BONDS—Redemption Provisions" herein.

Bond Insurance. The scheduled payment of principal of (or, in the case of Series E Capital Appreciation Bonds and Series E Convertible Bonds, the accreted value) and interest on the Series E Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series E Bonds by ASSURED GUARANTY MUNICIPAL CORP. (the "Insurer"). See "BOND INSURANCE" herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and requirements described herein, interest on the Series E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series E Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Series E Bond (the first price at which a substantial amount of the Series E Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series E Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Series E Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "LEGAL MATTERS—Tax Exemption" herein.

Authority for Issuance of the Series E Bonds

As described below, the Series E Bonds are issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County. See "THE SERIES E BONDS—Authority for Issuance" herein.

Offering and Delivery of the Series E Bonds

The Series E Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Series E Bonds will be available for delivery through DTC in New York, New York on or about _____, 2011.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of material events is summarized below under the caption "CONTINUING DISCLOSURE" and Appendix C—"FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH

FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the District by its counsel, Parker & Covert LLP, and for the Underwriter by Nossaman LLP, Irvine, California.

Other Information

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

Copies of documents referred to herein and information concerning the Series E Bonds are available from the Superintendent, Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, telephone: (951) 736-5000. The District may impose a charge for copying, mailing and handling.

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

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

All terms used herein and not otherwise defined shall have the meanings given such terms in the Series E Resolution (as defined below).

THE SERIES E BONDS

Authority for Issuance

The Series E Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, and paragraph (3) of subdivision (b) of Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on July 19, 2011 and a resolution adopted by the Board of Supervisors of the County on _____, 2011 (the "Series E Resolution"). In accordance with the Act, the Series E Bonds are being issued by the Board of Supervisors of the County on behalf of the District.

The District received authorization at an election held on November 7, 2006 by more than fifty-five percent of the votes cast by eligible voters within the District, to issue up to \$250,000,000 of general obligation bonds (the "Authorization"). The District has previously issued \$228,427,121.65 of general obligation bonds

pursuant to the Authorization. The Series E Bonds represent the second series of bonds issued under the Authorization and are being issued to finance various school facilities for the District. The Series A Bonds and the Series E Bonds are payable on a parity from the *ad valorem* taxes levied on property within the District.

Description of the Series E Bonds

The Series E Bonds will be issued as Series E Current Interest Bonds, Series E Capital Appreciation Bonds and Series E Convertible Bonds.

Interest on the Series E Current Interest Bonds accrues from the date of delivery, and is payable semiannually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing February 1, 2012, to the owner of record as of the Record Date, which is the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, at the annual interest rates shown on the inside cover of this Official Statement. The Series E Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the Series E Current Interest Bonds on the basis of a 360-day year comprised of twelve 30-day months.

The Series E Capital Appreciation Bonds are dated the date of delivery of the Series E Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012, payable only upon maturity. Interest will accrete on the basis of a 360-day year comprised of twelve 30-day months. The Series E Capital Appreciation Bonds are issuable in denominations of \$5,000 of Maturity Value or any integral multiple thereof, except that one Series E Capital Appreciation Bond may have an odd Maturity Value in excess of \$5,000.

The Series E Convertible Bonds are issuable in denominations of \$5,000 Conversion Value or any integral multiple thereof. Interest on the Series E Convertible Bonds will accrete from their date of issuance to an amount equal to the Conversion Value (defined below) on the Conversion Date. The Conversion Value represents the initial principal amount thereof, plus interest accreted thereon, calculated from the date of initial issuance to the Conversion Date at the stated accretion rate for each Convertible Bond set forth on the inside cover page hereof, compounded on each February 1 and August 1, assuming in any such semiannual period that the accreted value increases in equal daily amounts on the basis of a 360-day year of twelve 30 day months (the "Conversion Value").

Following the Conversion Date, the Series E Convertible Bonds will be current interest bonds bearing interest payable semiannually at the rates set forth on the inside cover hereof on February 1 and August 1 of each year to the owner of record as of the Record Date until maturity or earlier redemption.

See the Maturity Schedule on the inside cover and "THE SERIES E BONDS—Debt Service Schedule" herein.

Accreted Values

Appendix G contains a table of the original principal plus Accreted Interest on the Series E Capital Appreciation Bonds (together, the "Accreted Value") as of each February 1 and August 1 for each maturity of Series E Capital Appreciation Bonds and Series E Convertible Bonds. The amount of Accreted Value as of any February 1 and August 1 determined by the Paying Agent in accordance with the provisions of the Series E Resolution shall control over any different amount of Accreted Value determined by reference to Appendix G.

Paying Agent

U.S. Bank National Association will act as the initial paying agent, registrar and transfer agent (the "Paying Agent") for the Series E Bonds.

The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to the District and the County. The Paying Agent may be removed at any time by an instrument filed with the Paying Agent and the County and signed by the District. If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District with the consent of the Treasurer-Tax Collector of the County of Riverside. Any successor Paying Agent selected by the District, other than the Treasurer, may be any bank, trust company, national banking association or other financial institution doing business in the State of California and with at least \$50,000,000 in net assets.

Redemption Provisions

Optional Redemption of the Series E Current Interest Bonds. The Series E Current Interest Bonds maturing on or before August 1, 2018, are not subject to redemption prior to their maturity dates. The Series E Current Interest Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on or after August 1, 20__ as a whole, or in part by lot. The Series E Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Series E Current Interest Bonds redeemed prior to maturity, if any, will be redeemed at a redemption price equal to 100% of the principal amount thereof together with accrued interest to date of redemption, without premium.

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

Optional Redemption of the Series E Convertible Bonds. The Series E Convertible Bonds maturing on or after August 1, 20__ may be redeemed prior to maturity at the option of the District, from any source of funds, in whole or in part on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the Conversion Value thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Sinking Fund Redemption for the Series E Current Interest Term Bonds. The Series E Current Interest Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium:

<i>Year</i>	<i>Principal Amount To Be Redeemed</i>
-------------	--

†

† Final Maturity.

Selection of Bonds for Redemption. Whenever provision is made in the Resolution for the optional redemption of the Series E Bonds and less than all Series E Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Series E Bonds for redemption from such maturity or

maturities as directed by the District and, if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Series E Bonds for redemption by lot. The portion of any Series E Current Interest Bond to be redeemed in part shall be in the amount of \$5,000 or an integral multiple thereof and any Series E Convertible Bond to be redeemed in part shall be equal to the Accreted Value per \$5,000 Conversion Value of such Series E Convertible Bond, or an integral multiple thereof.

Notice of and Effect of Redemption of the Series E Bonds

So long as the Series E Bonds are registered in the name of DTC, redemption notices will be sent by the Paying Agent only to DTC and not to Beneficial Owners of the Bonds, who will be notified only in accordance with the procedures of the DTC book-entry system. See “—Book-Entry Only System” below and APPENDIX F—“BOOK ENTRY ONLY SYSTEM” herein.

At least 30 but not more than 60 days prior to the redemption date, a redemption notice shall be given to the owners of Series E Bonds designated for redemption by first class mail, postage redeemed, at their addresses appearing on the registration books of the Paying Agent. Neither failure to receive any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the Series E Bonds.

If on a redemption date money for the redemption of the Series E Bonds to be redeemed, together with interest accrued to such redemption date, are held by the Paying Agent, and if notice of redemption thereof shall have been given as set forth in the Series E Resolution, then from and after such redemption date, interest with respect to the Series E Bonds to be redeemed shall cease to accrue and become payable. When any Series E Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Series E Bonds or portions thereof, then such Series E Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Any redemption notice for an optional redemption of the Series E Bonds delivered may be conditional, and, if any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Series E Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

If on a redemption date money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held by the Paying Agent, and if notice of redemption thereof shall have been given as set forth in the Resolution, then from and after such redemption date, interest with respect to the Series E Bonds to be redeemed shall cease to accrue and become payable. When any Series E Bonds (or portions thereof) which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent or an escrow agent appointed by the District irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Series E Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The Series E Bonds will be issued as one fully registered bond without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series E Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 for Series E Current Interest Bonds, \$5,000 Maturity Value for Series E Capital

Appreciation Bonds and \$5,000 Conversion Value for Series E Convertible Bonds and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Series E Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the Beneficial Owners of the Series E Bonds as described herein. See Appendix F—"BOOK ENTRY ONLY SYSTEM" herein.

Application and Investment of Bonds Proceeds and Tax Revenues

Proceeds of the Series E Bonds. The proceeds from the sale of the Series E Bonds paid to the District by the Underwriter shall be deposited in the Corona-Norco Unified School District 2006 General Obligation Bond Building Fund, Series E (the "Building Fund") established under the Series E Resolution and shall be kept separate and distinct from all other District and County funds. Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. The proceeds shall be used for the purpose for which the Series E Bonds are issued.

The original issue premium, if any, remaining after payment of all costs of issuance and received from the sale of the Series E Bonds and the *ad valorem* property taxes securing the payment of the Series E Bonds, when received, shall be kept separate and apart in the Corona-Norco Unified School District General Obligation Bond Debt Service Fund, Series E (the "Debt Service Fund") established under the Series E Resolution and used only for payments of principal and interest on the Series E Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Series E Bonds when due.

Any excess proceeds of the Series E Bonds not needed for the purpose for which the Series E Bonds are issued shall be transferred from the Building Fund to the Debt Service Fund and applied to the payment of principal and interest on the Series E Bonds. If after payment in full of the Series E Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District's General Fund. Amounts which the District determines are required to be rebated to the federal government will be deposited in the Corona-Norco Unified School District 2006 General Obligation Bond Rebate Fund, Series E (the "Rebate Fund") established under the Series E Resolution.

Investment of Bond Proceeds. Monies held in the Building Fund, the Debt Service Fund and the Rebate Fund established under the Series E Resolution may be invested in any investment permitted by law.

It is anticipated that monies in the Building Fund, the Rebate Fund and the Debt Service Fund will be invested in the Riverside County Pooled Investment Fund described below. See "RIVERSIDE COUNTY TREASURY POOL" herein.

Defeasance

All or a portion of the outstanding Series E Bonds may be paid and discharged in any one or more of the following ways:

- (1) by well and truly paying or causing to be paid the principal and interest on all Series E Bonds outstanding, as and when the same become due and payable;
- (2) by irrevocably depositing with the a bank or trust company in escrow an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is fully sufficient to pay all or a designated portion of the Series E Bonds outstanding at maturity thereof, including all principal, premium, if any, and all interest thereon; or
- (3) by irrevocably depositing with a bank or trust company in escrow noncallable United States Obligations (as defined below), together with cash, if required, in such amount as will, in the

opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with interest to accrue thereon, be fully sufficient to pay and discharge all, or a designated portion of the Series E Bonds outstanding at maturity thereof, including all principal, premium, if any, and all interest thereon.

If a Series E Bond is defeased as described above, then, all obligations of the County, the District and the Paying Agent under the Series E Resolution, as applicable, with respect to such outstanding Series E Bond shall cease and terminate, whether or not such Series E Bond has been surrendered for payment, except only the obligation of the County and the Paying Agent to pay or cause to be paid to the Owners of the Series E Bonds all sums due thereon from the amounts on deposited pursuant to (1), (2) and (3) above and the obligations of the County with respect to the Rebate Fund.

In the Series E Resolution, United States Obligations are defined as:

Direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interest must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated "Aaa" by Moody's Investors Service or "AAA" by Standard & Poor's.

Supplemental Resolutions

(a) The Series E Resolution and the rights and obligations of the County, the District and of the Owners of the Series E Bonds, may be modified or amended at any time by a supplemental resolution adopted by the County with the written consent of Owners owning at least 60% in aggregate Series E Bond Obligation of the Outstanding Bonds, exclusive of Series E Bonds, if any, owned by the County or the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Series E Bond affected, reduce the principal amount of any Series E Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

(b) The Series E Resolution and the rights and obligations of the County, the District and of the Owners of the Series E Bonds may be modified or amended at any time by a supplemental resolution adopted by the County, without the written consent of the Owners:

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

(2) To add to the limitations and restrictions in the Series E Resolution, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Series E Resolution, as theretofore in effect;

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

(4) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in the Series E Resolution; or

(5) To amend or supplement the Series E Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners.

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

Unclaimed Moneys

Anything in the Series E Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Series E Bonds which remain unclaimed for two years after the date when such Series E Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Paying Agent after said date when such Series E Bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of the Series E Bond shall look only to the District for the payment of such Series E Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Series E Bonds at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than 30 days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Series E Bonds are as follows:

Sources and Uses

Sources of Funds

Principal Amount of Series E Bonds	\$
Original Issue Premium	
Total Sources of Funds	<u>\$</u>

Uses of Funds

Building Fund	\$
Debt Service Fund	
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	<u>\$</u>

⁽¹⁾ All costs of issuance including Series E Bond insurance premium, Underwriter's discount, legal fees and Paying Agent fees and expenses.

RIVERSIDE COUNTY TREASURY POOL

The information in this section has been provided by the County. While the District believes this information to be reliable, neither the District nor the Underwriter have independently verified this information and do not guaranty the accuracy or completeness thereof.

The Resolution provide that unless the District provides the Treasurer-Tax Collector of the County (the "Treasurer") with other instructions, all amounts held thereunder will be invested in the Treasurer's Pooled Investment Fund.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2011, the portfolio assets comprising the PIF had a market value of \$5,421,230,536.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the Treasurer. On June 30, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board of Supervisors and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2010 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of March 31, 2011, were as follows:

U.S. Treasury Securities	\$ 587,358	10.83%
Federal Agency Securities	4,175,290	77.02
Cash Equivalent and Money Market Funds	322,000	5.94
Commercial Paper	149,735	2.76
Municipal Notes and Bonds	86,235	1.59
Certificates of Deposits	100,000,000	1.84
Local Agency Obligations ⁽¹⁾	610,000	0.01
	\$ 5,421,230	100.00%

Weighted Average Yield 0.67%
Weighted Average Maturity 1.27 years

⁽¹⁾ Represents County Obligations issued by the Riverside District Court Financing Corporation. Not rated; all other investments are government securities or rated investments.

As of March 31, 2011, the market value of the PIF was 99.86% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board of Supervisors of the County has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board of Supervisors of the County. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA/MR1" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Neither the District nor the Underwriter has made any independent investigation of the investments in the County PIF or has made any assessment of the current County Investment Policy. The value of the various investments in the County PIF will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County PIF will not vary significantly from the values described herein.

Debt Service Schedules

The following table sets forth the annual debt service on the Series E Bonds:

<i>Year Ending (August 1)</i>	<i>Series E Current Interest Bonds</i>		<i>Series E Capital Appreciation Bonds</i>		<i>Series E Convertible Capital Appreciation Bonds</i>		<i>Total Annual Debt Service</i>
	<i>Annual Principal Payment</i>	<i>Annual Interest Payment</i>	<i>Annual Principal Payment</i>	<i>Accreted Interest Payment</i>	<i>Annual Principal Payment</i>	<i>Interest Payment</i>	

The following table summarizes the aggregate annual debt service requirements for all of the District's outstanding general obligation bonds:

**Corona-Norco Unified School District
Aggregate Annual Debt Service**

<i>Year Ending (September 1)</i>	<i>1998 General Obligation Bonds⁽¹⁾</i>	<i>2006 General Obligation Bonds⁽²⁾</i>	<i>Series E Bonds⁽²⁾</i>	<i>Total</i>
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Total	\$ _____	\$ _____	\$ _____	\$ _____
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- ⁽¹⁾ Prior General Obligation Bonds mature September 1 of each year.
- ⁽²⁾ 2006 General Obligation Bonds mature August 1 of each year except as set forth in footnote (3) below.
- ⁽³⁾ Series B 2034 maturity matures February 1, 2034.

SECURITY FOR THE SERIES E BONDS

The Series E Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The County, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the Series E Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Series E Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Series E Resolution pledges as security for the Series E Bonds the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Series E Bonds. The Series A Bonds and the Series E Bonds are payable on a parity from the *ad valorem* taxes levied on property within the District. See "TAX BASE FOR PREPAYMENT OF SERIES E BONDS" herein.

The District's previously issued \$65,000,000 of general obligation bonds pursuant to an authorization provided at a special election of the registered voters of the District held on April 14, 1998 and \$228,427,121.65 pursuant to the 2006 Authorization (together, the "Prior General Obligation Bonds"). The Prior General Obligation Bonds are also payable on a parity from *ad valorem* property taxes levied on taxable property within the District to repay such bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series E Bonds and the Prior General Obligation Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series E Bonds and the Prior General Obligation Bonds in any year. Fluctuations in the annual debt service on the Series E Bonds and the Prior General Obligation Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination. In fiscal years 2008-09, 2009-10 and 2010-11, the assessed valuations in the District declined following many years of increases due to significant declines in the real estate market in California, and in the County in particular. The District believes that a further reduction in assessed values is possible in fiscal year 2011-12 given the continued weakness in the local real estate market.

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

Set forth below under the caption "BOND INSURANCE" is the information provided by Assured Guaranty Municipal Corp. for inclusion in this Official Statement. The District has not independently verified the information and does not guarantee its accuracy.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 13, 2011, S&P issued a release stating that it had affirmed the "AA+" financial strength rating of AGM, with a stable outlook. Reference is made to the release, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

Capitalization of AGM

At March 31, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,058,791,206 and its total net unearned premium reserve was approximately \$2,285,987,748, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM will be incorporated by reference into the Official Statement and will be deemed to be a part thereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds will be deemed incorporated by reference into the Official Statement and to be a part thereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included in the Official Statement or included in a document incorporated by reference therein (collectively, the "AGM Information") will be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded will not constitute a part of the Official Statement, except as so modified or superseded.

TAX BASE FOR REPAYMENT OF THE SERIES E BONDS

The information in this section describes *ad valorem* property taxation, assessed valuation, and other measures of the tax base of the District. The Series E Bonds are payable solely from *ad valorem* taxes levied and collected by the County on taxable property in the District. The District's General Fund is not source for the repayment of the Series E Bonds.

***Ad Valorem* Property Taxation**

The collection of property taxes is significant to the District and the owners of the Series E Bonds in two respects. First, the County will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Series A Bonds, the Series E Bonds and the Prior General Obligation Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation funds a portion of the District's base revenue limit which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS - Revenue Limit Sources" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series A Bonds, the Series E Bonds and the Prior General Obligation Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll, also containing State-assessed property, and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10 percent attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property improvements or possessory interests belonging or assessed to the delinquent taxpayer.

District Assessed Valuation. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Series E Bonds is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Teeter Plan. The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan is intended to provide participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors has adopted the Teeter Plan and has elected to include school districts in its Teeter Plan. Thus, the County's Teeter Plan applies to the District.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. Although the rate of delinquency for a variety of local agencies, including the District, has exceeded the 3% delinquency threshold from time to time, the County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The information provided in Tables 1 through 5 below has been provided by California Municipal Statistics, Inc. and in part by the Riverside County Auditor Controller. Neither the District nor the Underwriter has independently verified this information and do not guarantee its accuracy.

Table 1 shows the assessed valuation in the District for the 2006-07 through the 2010-11 fiscal years.

Table 1
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Assessed Valuations⁽¹⁾

	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2006-07	\$24,292,727,058	\$10,097,307	\$1,169,253,189	\$25,472,077,554
2007-08	28,253,444,127	5,829,451	1,321,798,662	29,581,072,240
2008-09	28,052,045,194	5,829,451	1,451,766,019	29,509,640,664
2009-10	24,985,967,696	5,829,451	1,378,815,229	26,370,612,376
2010-11	24,778,827,795	5,829,451	1,318,729,825	26,103,387,071

⁽¹⁾ Information for fiscal years 2006-07 through 2009-10 provided by California Municipal Statistics. Information for fiscal year 2010-11 provided by County of Riverside Assessor.

Sources: California Municipal Statistics, Inc. and County of Riverside Assessor.

Tax Levies and Delinquencies

Table 2 summarizes the annual secured tax levy within the District and the amount delinquent as of June 30 for the 2005-06 through 2009-10 fiscal years. Under the terms of the County's Teeter Plan, the District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

Table 2⁽¹⁾
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	<i>Secured Tax Charges Levied</i>	<i>Delinquent Secured Taxes</i>	<i>% Delinquent June 30</i>
2005-06	\$ 2,831,574.12	\$ 127,465.24	4.50%
2006-07	3,909,359.06	286,148.83	7.32
2007-08	10,636,603.51	1,001,547.11	9.42
2008-09	11,404,925.31	801,782.55	7.03
2009-10	9,905,568.95	413,533.40	4.17

⁽¹⁾ This table represents the secured *ad valorem* taxes levied in the District solely to repay the District's Prior General Obligation Bonds and does not include any delinquencies related to other tax or assessment levies.
Source: California Municipal Statistics, Inc.

Tax Rates

There are a total of 313 tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District from fiscal year 2006-07 to fiscal year 2010-11.

Table 3
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Summary of Ad Valorem Tax Rates
Typical Total Tax Rates (TRA 4-003)

	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
General	1.00000%	1.00000%	1.000000%		
City of Corona	0.00249	0.00178	0.00119		
Corona-Norco Unified School District	0.01072	0.03794	0.04105		
Metropolitan Water District	0.00470	0.00450	0.00430		
Riverside City Community College	0.01800	0.01259	0.01254		
Total	<u>1.03591%</u>	<u>1.05681%</u>	<u>1.05908%</u>		

Source: California Municipal Statistics, Inc.

Table 4 below lists the 20 largest property taxpayers within the District measured by assessed valuation for fiscal year 2010-11.

Table 4
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Twenty Largest 2010-11 Local Secured Property Taxpayers

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2010-11 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Watson Laboratories Inc.	Industrial	\$ 196,386,535	0.79%
2. Castle & Cooke Corona Crossings I & II Inc.	Commercial	167,371,572	0.68
3. Kaiser Foundation Health Plan Inc.	Office Building	162,953,247	0.66
4. Rexco LLC	Office Building	119,782,450	0.48
5. Waterstone Apartments NV	Apartments	118,815,948	0.48
6. Dart Container Corp. of California	Industrial	78,258,027	0.32
7. Price REIT Inc.	Industrial	77,196,739	0.31
8. Guest First Inc.	Commercial	74,006,029	0.30
9. Dix Leasing Corp.	Industrial	67,712,101	0.27
10. Hoprock Limonite	Commercial	51,121,830	0.21
11. Minnesota Mining & Manufacturing Co.	Industrial	45,251,993	0.18
12. Corona North Main	Commercial	45,197,208	0.18
13. Lowes HIW Inc.	Commercial	43,614,008	0.18
14. Essex Parcwood Apartments	Apartments	43,380,187	0.18
15. UHS Corona Inc.	Office Building	43,323,744	0.17
16. Tishman Speyer Archstone Smith Sierra	Apartments	42,821,605	0.17
17. KSL Corona	Hotel	42,358,189	0.17
18. Calmat Co.	Office Building	40,747,425	0.16
19. Dos Lagos Office	Office Building	40,353,670	0.16
20. Avalon California Value VI	Apartments	<u>37,999,472</u>	<u>0.15</u>
		<u>\$1,538,651,979</u>	<u>6.21%</u>

⁽¹⁾ 2010-11 Local Secured Assessed Valuation: \$24,778,827,795.

Source: California Municipal Statistics, Inc.

Table 5 describes the District's land use by type in fiscal year 2010-11.

**Table 5
CORONA-NORCO UNIFIED SCHOOL DISTRICT
2010-11 Assessed Valuation and Parcels by Land Use**

	<i>2010-11 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural	\$ 176,183,894	0.71%	569	0.75%
Commercial	1,867,466,745	7.54	1,615	2.14
Vacant Commercial	365,276,972	1.47	1,010	1.34
Professional/Office	479,589,490	1.94	160	0.21
Industrial	1,772,257,402	7.15	899	1.19
Recreational	135,839,205	0.55	177	0.23
Government/Social/Institutional	57,828,505	0.23	184	0.24
Vacant Other/Unclassified Vacant	79,601,908	0.32	1,759	2.33
Miscellaneous	<u>33,123,640</u>	<u>0.13</u>	<u>316</u>	<u>0.42</u>
Subtotal Non-Residential	\$4,967,167,761	20.05%	6,689	8.87%
Residential:				
Single Family Residence	\$17,020,852,556	68.69%	57,228	75.87%
Condominium/Townhouse	940,681,817	3.80	5,074	6.73
Mobile Home	91,073,152	0.37	1,818	2.41
2+ Residential Units/Apartments	999,867,415	4.04	811	1.08
Miscellaneous Residential Structure	3,333,102	0.01	119	0.16
Timeshare	992,360	0.00	1,576	2.09
Vacant Residential	<u>754,859,632</u>	<u>3.05</u>	<u>2,114</u>	<u>2.80</u>
Subtotal Residential	<u>\$19,811,660,034</u>	<u>79.95%</u>	<u>68,740</u>	<u>91.13%</u>
Total	<u>\$24,778,827,795</u>	<u>100.00%</u>	<u>75,429</u>	<u>100.00%</u>

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

THE DISTRICT

Introduction

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 reports of the District may be obtained by contacting: Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, Attention: Superintendent.

General Information

The District, established in 1948, is located in the northwestern portion of Riverside County at the Intersection of the U.S. Interstate 15 and State Route 91 Freeways, adjacent to Orange County. The District encompasses within its boundaries all of the City of Corona, all of the City of Norco and a portion of the unincorporated territory of the County. The District's jurisdiction includes approximately 148 square miles. The total enrollment in the District during fiscal year 2010-11 was approximately 53,109 students, and is projected to be approximately 53,020 for fiscal year 2011-12.

The governing board of the District consists of five elected members, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and

three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below: A president is elected by members of the board each year. The day-to-day affairs of the District are the responsibility of its Superintendent.

Table 6
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Board of Education

<i>Name</i>	<i>Office</i>	<i>Term Expires</i>
Cathy L Sciortino	President	December 3, 2014
Bill Newberry	Vice-President	December 3, 2014
Jose W. Lalas, Ph.D.	Clerk	December 9, 2012
Michell Skipworth	Member	December 9, 2012
John Zickefoose	Member	December 9, 2012

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

Kent Bechler, Ph.D., Superintendent, was appointed as superintendent effective July 1, 2007. Dr. Bechler has ten years of experience as a superintendent at Walnut Valley Unified School District and at Duarte Unified School District in Los Angeles County. Dr. Bechler has served as a teacher, assistant principal, principal and assistant superintendent in the Glendora Unified School District. Dr. Bechler received his B.A. from Azusa Pacific University, his M.A. from California State University, Los Angeles and his Ph.D. from Claremont Graduate School.

Thomas R. Pike, Assistant Superintendent, Executive Services, was appointed on July 1, 2008. Mr. Pike served as Assistant Superintendent, Student Services for eleven years prior and acted as the District's Director of Pupil Services and Coordinator in Special Education for the District from 1986-96. He has earned an M.S. degree in School Counseling and School Psychology.

Gregory Plutko, Ed.D., Deputy Superintendent, Educational Services, was hired as the Assistant Superintendent of Executive Services for the District on August 1, 2007. On July 1, 2008, he became the Deputy Superintendent of Educational Services. Prior to coming to work for the District, Dr. Plutko served in the Walnut Valley Unified School District for three years, the last two as an assistant superintendent. Dr. Plutko was also a teacher in the Glendora Unified School District, as well as principal of Glendora High School. Dr. Plutko holds a B.A. and an M.A. from Azusa Pacific University and his Ed.D. from the University of La Verne.

Michael H. Lin, Ed.D., Assistant Superintendent, Human Resources, was appointed the Assistant Superintendent, Human Resources on July 1, 2008. Dr. Lin has ten years of experience in Human Resources as a director/administrative director, both in certificated and classified personnel. Additionally, Dr. Lin has served in public education since 1991 as teacher, coach, student activities director, assistant principal in the areas of guidance, curriculum and instruction. Dr. Lin has a B.S. in aerospace engineering from California Polytechnic State University, an M.S. in Educational Administration from California State University, Fullerton and a Doctorate in Institutional Management from Pepperdine University.

David Hanson, Ed.D., Assistant Superintendent, Instructional Support, was appointed on July 1, 2008. Dr. Hanson received a B.A. Degree from Brigham Young University in Industrial Technology and M.A. in Administration from California State University, San Bernardino. He has also received his Ed.D. from the University of LaVerne. Dr. Hanson has been in education for nineteen years as teacher, assistant principal and principal of Arlington High School.

Sherry Mata, Assistant Superintendent, Business Services, was assigned on July 1, 2008 having previously served as Administrator Director, Director and Coordinator of Business Services. Ms. Mata began with the District in 1987 in Accounting becoming an administrator of Business in 1991 and continued her education professionally and formally and holds an M.B.A. from the University of Phoenix and a B.S. in Business Administration from Redlands University. Ms. Mata has been involved with the development and preparation of the budget for the last five years and was a participant for five years prior.

Ted E. Rozzi, Assistant Superintendent, Facilities, was appointed Assistant Superintendent of Facilities in 2001. Mr. Rozzi previously acted as Facilities Director and Administrative Director from 1992 to 2001. He earned an M.B.A. in Finance in 1988 from California State University, San Bernardino.

Average Daily Attendance

For each unit of average daily attendance, the District receives from the State an amount equal to the base revenue limit, less the amount of any deficit factor applied by the State. For the last three fiscal years, due to its substantial budget shortfalls, the State has applied a deficit factor to the revenue limit and has done so again in its fiscal year 2011-12 State Budget. In its fiscal year 2011-12 State Budget, the District has assumed growth in ADA of approximately 150 to 50,954 for purposes of calculating its revenue limit, and has assumed base revenue limit funding in fiscal year 2011-12 of \$6,520.37, with a funded amount of \$5,232.34 after application of the deficit factor by the State. The District’s assumed funding levels for fiscal year 2011-12 are consistent with legislation related to the State budget for fiscal year 2011-12, which requires K-12 districts to include base revenue limit funding equal to the fiscal year 2010-11 level. See “DISTRICT FINANCIAL MATTERS—Revenue Limit Sources” and “—Recent Budget Developments and Financial Condition” herein. The District’s ADA and base revenue limit for fiscal years 2006-07 through fiscal year 2010-11 are set forth in Table 7.

**Table 7
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Average Daily Attendance**

<i>Fiscal Year</i>	<i>Total Average Daily Attendance</i>	<i>Base Revenue Limit per Student per Year</i>
2006-07	47,525	\$5,527.98
2007-08	49,103	5,779.98
2008-09	50,003	5,629.79 ⁽¹⁾
2009-10	50,643	5,200.77 ⁽²⁾
2010-11	50,804	5,231.24 ⁽³⁾

- ⁽¹⁾ Reflects the amount actually funded by the State after the application of a deficit factor. Base revenue limit per ADA before the deficit factor was \$6,108.98.
- ⁽²⁾ Reflects the amount actually funded by the State after the application of a deficit factor. Base revenue limit per ADA before the deficit factor was \$6,369.98.
- ⁽³⁾ Reflects the amount actually funded by the State after the application of a deficit factor. Base revenue limit per ADA before the deficit factor was \$6,376.38.

Source: The District.

On average throughout the District, the pupil-teacher ratio is approximately 21 to 1 for Kindergarten to grades 1-3, 31.5 to 1 for grades 4-6, 28.5 to 1 for grades 7-8 and 28 to 1 for grades 9-12.

Employee Relations

In the fall of 1974, the State of California (the “State”) Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law

provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the District (certificated personnel) are represented by the Corona-Norco Teachers Association. They are currently under a contract that expired on June 30, 2012. Negotiations for a new contract are ongoing, and, until an agreement is reached, the parties will continue to operate under the terms of the existing contract. As of June 30, 2011, the District employed 2,498 certificated employees with total salaries of approximately \$200,785,075. Table 8 below sets forth the total number of certificated employees as of July 1 for the previous five fiscal years.

Table 8
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Certificated Employees⁽¹⁾

<i>Fiscal Year</i>	<i>Total Number of Employees</i>
2006-07	2,711
2007-08	2,764
2008-09	2,621
2009-10	2,488
2010-11	2,527
2022-12	2,498

⁽¹⁾ Includes management and supervisory.
Source: Corona-Norco Unified School District.

The California School Employees Association (CSEA) has been selected as the exclusive bargaining agent for non-teaching (classified) personnel. They are currently under a contract that will expire on June 30, 2012. Salary negotiations for fiscal year 2011-12 have not been settled and are ongoing. As of June 30, 2011, the District employed 1,382 classified employees with total salaries of approximately \$47,051,263. Table 9 below sets forth the total number of classified employees as of July 1 for the previous five fiscal years.

Table 9
CORONA-NORCO UNIFIED SCHOOL DISTRICT
Classified Employees⁽¹⁾

<i>Fiscal Year</i>	<i>Total Number of Employees</i>
2006-07	1,793
2007-08	1,805
2008-09	1,663
2009-10	1,631
2010-11	1,367
2011-12	1,382

⁽¹⁾ Includes management and supervisory.
Source: Corona-Norco Unified School District.

Retirement System

STRS and PERS. The District participates in the State of California Teachers' Retirement System ("STRS") which provides benefits to full-time certificated personnel. The District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year.

Active plan members of PERS are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The District's required contribution rate for fiscal year 2010-11 was 10.707%. The contribution requirements of the plan members are established by State statute. The District's General Fund contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$6,447,669, \$6,433,593 and \$6,376,423, respectively, which represent 100% of the required contributions for each fiscal year. The District has budgeted for a General Fund contribution of \$6,763,668 for fiscal year 2011-12, reflecting an increase in the District's rate of contribution to PERS to 10.923% of covered payroll in fiscal year 2011-12.

The District also participates in the State of California Teachers' Retirement System ("STRS") which provides benefits to certificated personnel. Active plan members are required to contribute 8% of their salary and the District is required to contribute a statutorily determined rate. The required employer contribution for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's General Fund contributions to STRS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$17,006,127, \$17,882,933 and \$17,147,910, respectively, which represent 100% of the required contributions for each year. The General Fund contribution for fiscal year 2011-12 is budgeted at \$16,994,422. The decrease in the budgeted amount for fiscal year 2011-12 is due primarily to a decrease in the number of certificated employees.

State Pension Trusts

The following information on STRS and PERS has been obtained from publicly available sources and has not been independently verified by the District or the Underwriter and is not guaranteed as to accuracy or completeness by the District or the Underwriter.

Both STRS and PERS have substantial unfunded liabilities in the tens of billions of dollars based on current actuarial assumptions. The substantial declines in the stock and bond markets in 2008 and recent changes in actuarial assumptions by STRS and PERS are expected to increase the unfunded liabilities and result in increases in contribution rates for the District in the future.

In the case of STRS, unlike typical defined benefit programs, neither the STRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. However, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of STRS has increased significantly and is expected to continue to increase in the absence of legislation changing required employer or employee contributions. The chief executive for STRS has recommended raising employer contributions by the State and, indirectly, by school districts within the State. The District is unable to predict what the STRS program liabilities will be in the future, or whether the Legislature may elect to require the District to make larger contributions in the future.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, P.O. Box 15275, Sacramento, California 95851-0275, and at www.calstrs.com, and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703, and at www.calpers.ca.gov. The information presented in these reports and on these websites is not incorporated by reference in this Official Statement.

Other Postemployment Benefits

The District provides post-employment health care benefits, in accordance with the District's employment contracts, to all employees who retire from the District on or after attaining the age of 50 with at least 10 years of service. As of June 30, 2010, 286 retired employees and their beneficiaries were receiving

benefits, 85 terminated employees were entitled to but not yet receiving benefits and 2,486 active employees were eligible for these benefits in a future period. The District contributes a maximum of \$3,800 per year of the amount of premiums incurred by each retiree and his or her dependents and the retiree contributes the remainder. A retiree will receive these health care benefits to the end of the school year in which the retiree turns 65. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as retirees report claims paid. During fiscal years 2009-10 and 2010-11, the District contributed \$898,030 and \$653,206, respectively, to the plan and has budgeted for a contribution of \$650,000 in fiscal year 2011-12. In July 2009, the District received a report from an outside consultant that estimated the District's unfunded actuarial accrued liability for post-employment retirement benefits as of June 2009 to be approximately \$14,858,902 based on certain assumptions. The District is required to conduct a report on its unfunded actuarial liability every two years and expects to receive the next actuarial report in August, 2011.

Beginning with its fiscal year ending June 30, 2008, the District was required to comply with the Governmental Accounting Standards Board ("GASB") Statement 45 relating to other post-employment benefits ("OPEB"), which requires the District to recognize the expenses and related liabilities and assets for any OPEB provided by the District in its government-wide financial statements of net assets and activities. The District's annual required contribution (the "ARC") for the post-employment health benefits plan calculated in accordance with the parameters of GASB Statement 45 was \$2,671,042 as of June 30, 2010. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. As the District has been contributing less than its ARC to the plan, its net OPEB obligation has been increasing, and was \$4,004,073 as of June 30, 2010. See Notes 9 and 12 to the District's financial statements in APPENDIX B—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS."

In fiscal year 2007-08, the District adopted a supplemental retirement plan as part of an early retirement offer to certain employees. The plan provides annuities to be paid to eligible employees over a five-year period. Annuities have been purchased for 83 employees participating in the plan. As of June 30, 2010, the balance of the District's obligation for this supplemental retirement plan was \$11,125,020.

Insurance

The District accounts for risk management activities in its General Fund and in its Internal Service Fund. The purpose of the Internal Service Fund is to administer the workers' compensation program for the District, which is self-insured. The activity of the Internal Service Fund does not constitute a transfer of risk from the District. In its fiscal year 2011-12 State Budget, the District reported total liabilities for its workers' compensation program of \$7,768,248 and estimated accrued but unfunded liabilities of \$1,708,169. All other risk financing activities are accounted for in the General Fund including employee benefit programs, and property and liability coverage.

The District purchases excess liability insurance for the liability coverage from the Schools Excess Liability Fund public entity risk pool, and excess liability insurance for the property coverage from the CSAC Excess Insurance Authority public entity risk pool. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. See Notes 13 and 16 to the District's financial statements in APPENDIX B—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENT."

DISTRICT FINANCIAL MATTERS

Accounting Practices

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

District Budget

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

For both dual and single budgets submitted on July 1, the County Superintendent will (a) examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, (b) determine if the budget allows the district to meet its current obligations, and (c) determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district.

Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the County Superintendent's recommendations for revision and reasons for the recommendations. The County Superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the recommendations. The committee must report its findings no later than August 20. Any recommendations made by the County Superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Each dual budget option district and each single budget option district whose budget has been disapproved must revise and readopt its budget by September 8, reflecting changes in projected income and expenses since July 1, including responding to the County Superintendent's recommendations. The County Superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets, and, not later than October 8, must approve or disapprove the revised budgets. If the budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

At minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education. As a part of the legislation enacting the State's budget for fiscal year 2011-12, the requirement that districts demonstrate that they can meet their financial obligations for the subsequent two fiscal years was suspended for fiscal year 2011-12. See "STATE OF CALIFORNIA FISCAL ISSUES—2011-12 State Budget."

On June 22, 2011, the District adopted a line-item budget for fiscal year 2011-12 setting forth revenues and expenditures reflecting that budgeted appropriations from its General Fund during fiscal year 2011-12 will not exceed the sum of revenues plus the expected July 1, 2011 beginning General Fund balance. The portion of the adopted budget relating to the General Fund (the "2011-12 Adopted General Fund Budget") is included in Table 13 below.

Major Revenues

School district revenues consist primarily of State moneys required to be paid to school districts under the California Constitution, *ad valorem* property taxes collected on property within the District and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to school districts.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit amount that a district is to receive under State funding formulas, and the balance is received in the form of State aid. The sum of the property taxes and State aid equal the district's revenue limit. Districts which receive the minimum amount of State aid are known as "Basic Aid" districts. The District is not a Basic Aid district.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of community college districts, certain other local revenues), is allocated to the school districts based on the average daily attendance ("ADA") of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school 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 California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a school district's budget comes from categorical

funds provided by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 2% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

The State revenue limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

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 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 basically 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 school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified 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 to which each school district is entitled for the current year.

Historical General Fund Financial Information

Table 10 below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2005-06 through 2009-10. The figures in Table 10 for Fiscal Years 2005-06 through 2009-10 are taken from the District's audited financial statements. See Table 12 below for the unaudited estimated actuarial results for the District's General Fund for fiscal year 2010-11. See APPENDIX B—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS" for further detail on the District's financial condition as of June 30, 2010.

Table 10
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2005-06 Through 2009-010
Corona-Norco Unified School District

	<i>Audited</i> 2005-06	<i>Audited</i> 2006-07	<i>Audited</i> 2007-08	<i>Audited</i> 2008-09	<i>Audited</i> 2009-10
SOURCES					
Revenue Limit Source	\$ 234,431,156	\$ 266,216,871	\$ 285,093,123	\$ 283,558,127	\$ 252,613,080
Federal Revenues	18,723,830	14,883,939	17,370,952	33,186,153	29,395,722
Other State Revenues	67,462,202	91,545,970	87,705,691	80,154,138	88,529,268
Other Local Revenue	1,973,283	2,557,128	2,208,594	3,074,761	2,487,919
Total Revenues	<u>322,590,471</u>	<u>375,203,908</u>	<u>392,378,360</u>	<u>399,973,179</u>	<u>373,025,989</u>
EXPENDITURES					
Instruction	220,144,811	244,624,316	262,562,623	259,759,521	257,145,009
Instruction -- Related Services	36,828,608	41,076,173	43,032,302	41,080,047	40,694,744
Pupil Services	25,470,326	30,341,113	32,716,241	32,402,047	32,609,358
General Administration	7,219,029	11,828,824	11,603,819	12,391,804	13,146,439
Plant Services	30,294,412	36,296,513	38,174,957	35,463,621	34,834,131
Facilities Acquisition & Construction	151,549	72,676	269,348	2,810	168,100
Ancillary Services	2,103,522	2,350,048	2,563,167	2,467,939	1,921,008
Other Outgo	7,729	184,683	255,577	335,175	263,903
Enterprise Services	--	(7)	--	--	--
Debt Service	--	--	--	--	--
Total Expenditures	<u>322,219,986</u>	<u>366,774,534</u>	<u>391,178,034</u>	<u>383,902,964</u>	<u>380,782,692</u>
Excess of (Deficiency) of Revenues Over Expenditures	370,485	8,429,374	1,200,326	2,208,594	(7,756,703)
OTHER FINANCING SOURCES					
Operating Transfers In	5,057,931	--	1,700,000	--	1,000,000
Operating Transfers Out	(7,062,226)	(1,747,803)	(1,752,052)	--	(83,442)
Total Other Financing Sources (uses)	<u>(2,004,295)</u>	<u>(1,747,803)</u>	<u>(52,052)</u>	<u>19,764</u>	<u>916,558</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	<u>(1,633,810)</u>	<u>6,681,571</u>	<u>1,148,273</u>	<u>16,089,979</u>	<u>(6,840,145)</u>
Fund Balance (Deficit), July 1	\$ 14,243,101	\$ 12,609,291	\$ 19,290,862	\$ 20,439,136	\$ 36,529,115
Fund Balance (Deficit), June 30	<u>\$ 12,609,291</u>	<u>\$ 19,290,862</u>	<u>\$ 20,439,136</u>	<u>\$ 36,529,115</u>	<u>\$ 29,688,970</u>

Source: Corona-Norco Unified School District Audited Financial Statements fiscal years 2005-06 through 2009-10.

Table 11 below compares the District's 2009-10 Adopted Budget to its audited actual revenues and expenditures for fiscal year 2009-10 and the District's 2010-11 Adopted Budget to its unaudited estimated actual revenues and expenditures for fiscal year 2010-11.

Table 11
GENERAL FUND BUDGET AND ACTUAL RESULTS
FISCAL YEARS ENDING JUNE 30, 2010 AND JUNE 30, 2011
Corona-Norco Unified School District

	<i>2009-10 Adopted Budget</i>	<i>2009-10 Audited Actuals</i>	<i>2010-11 Adopted Budget</i>	<i>2010-11 Estimated Actuals⁽¹⁾</i>
SOURCES				
Revenue Limit Sources:	\$ 251,669,274	\$ 252,613,080	\$ 256,505,208	\$ 267,304,904
Federal Revenues	32,890,881	29,395,722	26,677,089	44,201,513
Other State Revenues	73,266,146	88,529,268	72,188,360	75,492,352
Other Local Revenue	<u>1,763,232</u>	<u>2,487,919</u>	<u>2,150,720</u>	<u>3,352,780</u>
Total Revenues	359,589,532	373,025,989	357,521,377	<u>390,351,539</u>
EXPENDITURES				
Instruction	257,899,444	257,145,009	238,909,800	
Instruction – Related Services	40,321,574	40,694,744	38,561,793	
Pupil Services	32,106,820	32,609,358	27,987,062	
General Administration	1,811,590	13,146,439	2,145,284	
Plant Services	--	34,834,131	0	
Facilities Acquisition & Construction	--	168,100	0	
Ancillary Services	11,340,991	1,921,008	14,900,307	
Other Outgo	37,173,893	263,903	33,832,199	
Enterprise Services	56,909	--	56,909	
Debt Service	--	--	--	
Total Expenditures	<u>380,711,222</u>	<u>380,782,692</u>	356,393,354	
Excess of Revenues over (Under) Expenditures	(21,121,689)	(7,756,703)	1,128,022	20,994,727
OTHER FINANCING SOURCES				
Operating Transfers In	--	1,000,000	--	--
Operating Transfers Out	<u>(45,957)</u>	<u>(83,442)</u>	<u>48,739</u>	<u>(14,213,009)</u>
Total Other sources (uses)	(45,957)	916,558	(48,739)	(14,213,009)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(21,167,646)	(6,840,145)	1,079,283	6,781,718
Fund Balance (Deficit), July 1	\$ 43,453,828	\$ 36,529,115	\$ 29,688,970	\$ 29,688,970
Fund Balance (Deficit), June 30	<u>\$ 22,286,182</u>	<u>\$ 29,688,970</u>	<u>\$ 30,768,254</u>	<u>\$ 36,470,688</u>

⁽¹⁾ Unaudited.

Source: Corona-Norco Unified School District Adopted Budgets for fiscal years 2009-10, 2010-11 and 2011-12 and Audited Financial Statements for fiscal year 2009-10.

Table 12 below sets forth the District's General Fund balance sheet for fiscal years 2005-06 through 2009-10.

Table 12
Corona-Norco Unified School District
Summary of Combined General Fund Balance Sheet

	<i>Audited</i> 2005-06	<i>Audited</i> 2006-07	<i>Audited</i> 2007-08	<i>Audited</i> 2008-09	<i>Audited</i> 2009-10
ASSETS					
Deposits and Investments	\$ 407,685	\$ 4,778,117	\$ 3,300,858	\$ 7,894,813	\$ 22,798,977
Accounts Receivable	23,996,898	35,150,435	32,104,004	49,397,203	66,627,935
Due from Other Funds	1,005,243	616,984	1,318,611	810,058	874,357
Inventory	492,833	498,592	339,956	201,858	147,619
Total Assets	<u>25,902,659</u>	<u>41,044,128</u>	<u>37,063,429</u>	<u>58,303,932</u>	<u>\$ 90,448,888</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	12,509,888	13,563,347	16,165,375	18,033,029	23,527,409
Due to Other Funds	118,931	7,633,974	13,654	--	35,000,000
Deferred Revenue	664,549	555,945	445,264	3,741,788	2,232,509
Total Liabilities	<u>13,293,368</u>	<u>21,753,266</u>	<u>16,624,293</u>	<u>21,774,817</u>	<u>60,759,918</u>
FUND EQUITY					
Fund balances					
Reserved	4,170,634	10,071,665	9,858,346	9,067,900	3,698,972
Unreserved					
Designated	8,438,657	8,575,605	10,580,790	27,461,215	25,989,998
Undesignated	--	--	--	--	--
Total Fund Equity	<u>12,609,291</u>	<u>19,290,862</u>	<u>20,439,136</u>	<u>36,529,115</u>	<u>29,688,970</u>
Total Liabilities and Fund Equity	<u>\$ 25,902,659</u>	<u>\$ 41,044,128</u>	<u>\$ 37,063,429</u>	<u>\$ 58,303,932</u>	<u>\$ 90,448,888</u>

Source: Corona-Norco Unified School District Audited Financial Statements fiscal years 2005-06 through 2009-10.

Recent Budget Developments and Financial Condition

The District's revenues are derived in large part from funding provided by the State. For the last several fiscal years the State has experienced significant budget shortfalls that have led to reduced funding for school districts in California and to deferrals in the timing of payments from the State to school districts. The State is projecting continued budget shortfalls for the next several fiscal years. See "STATE OF CALIFORNIA FISCAL ISSUES" herein.

As a result of significant State budget shortfalls, State revenues apportioned to the District peaked in Fiscal Year 2007-08. For Fiscal Year 2009-10, State revenues were reduced by more than \$39,000,000 from Fiscal Year 2007-08 levels and, in Fiscal Year 2010-11, State revenues remained approximately \$30 million below Fiscal Year 2007-08 levels. The District has responded to the reduced State funding by reducing expenditures from a peak of \$391 million in Fiscal Year 2007-08 to \$369 million in Fiscal Year 2010-11. These expenditure reductions were achieved in various ways, including reduced budget allocations for school sites, departments and several programs and reduced positions for certificated, classified and management personnel achieved primarily through attrition and retirements. In addition, both bargaining units and District management have elected to take furlough days and to forego cost of living adjustments. The District continues to maintain a hiring freeze and limit spending in certain areas. Part of the State reductions have been offset by increased federal revenues from federal stimulus program which the District received and expended in the last three fiscal years. These federal stimulus revenues were one time moneys and will not be available after Fiscal Year 2010-11. As a result, the District has budgeted a reduction in federal revenues in Fiscal Year 2011-12 of approximately \$23 million from Fiscal Year 2010-11.

Table 13 contains the District's estimated actual results for fiscal year 2010-11, the District's 2011-12 Adopted General Fund Budget and the percentage difference between the estimated actual results for fiscal year 2010-11 and the 2011-12 Adopted General Fund Budget.

**Table 13
CORONA-NORCO SCHOOL DISTRICT
Adopted Budget for Fiscal Year 2011-12**

	<i>2010-11 Estimated Actuals</i>	<i>2011-12 Adopted Budget</i>	<i>Percentage Difference Between 2010-11 Estimated Actuals and 2011-12 Adopted Budget</i>
SOURCES			
Revenue Limit Sources	\$ 267,304,904	\$ 270,321,200	1.1%
Federal Revenues	44,201,513	21,045,737	-52.4
Other State Revenues	75,492,352	70,407,763	-6.7
Other Local Revenue	<u>3,352,780</u>	<u>2,357,797</u>	-29.7
Total Revenues	390,351,539	364,132,492	-6.7
EXPENDITURES			
Instruction	247,341,631	244,700,452	-1.1
Instruction – Related Services	40,679,463	40,661,059	0.0
Pupil Services	29,345,172	28,827,444	-1.8
Ancillary Services	2,679,080	1,958,139	-26.9
Community Services	0	0	0.0
Enterprise	0	0	-2.7
General Administration	15,378,632	14,958,356	2.5
Plant Services	33,619,963	34,469,318	-2.7
Other Outgo	312,881	304,345	
Total Expenditures	369,345,822	365,879,113	-0.9
Excess of Revenues over (Under) Expenditures	20,994,727	(1,746,616)	-108.3
OTHER FINANCING SOURCES			
Operating Transfers In	--	--	
Operating Transfers Out	<u>(14,213,009)</u>	<u>(53,007)</u>	
Total Other sources (uses)	(14,213,009)	(53,007)	-99.6
Net Increase (Decrease) in Fund Balance	6,781,718	(1,799,622)	-126.5
Fund Balance (Deficit), July 1	<u>\$ 29,688,970</u>	<u>\$ 36,470,688</u>	
Fund Balance (Deficit), June 30	<u>\$ 36,470,688</u>	<u>\$ 34,671,065</u>	-4.9

Source: Corona-Norco Unified School District Adopted Budget for fiscal year 2011-12.

The State is projecting significant budget shortfalls over the next several fiscal years which could result in further reduced State funding for the District in future fiscal years. See "STATE OF CALIFORNIA FISCAL ISSUES."

The District adopted its fiscal year 2011-12 State Budget before the State adopted its fiscal year 2011-12 State Budget and in its budget the District assumed no increase in State base revenue limit funding in fiscal year 2011-12. With this assumption, the District's 2011-12 Adopted Budget shows that General Fund expenditures and transfers will exceed revenues by approximately \$1.8 million, resulting in a projected decline in the General Fund ending balance at June 30, 2012 to approximately \$34.6 million. As adopted, the State's budget for fiscal year 2011-12 provides flat funding of the base revenue limit for K-12 school districts for the budget year and requires that districts project the same level of revenue per student in fiscal year 2011-12 as

was received in fiscal year 2010-11 and maintain staffing and program levels commensurate with this level of funding.

Historically, to obtain a positive certification of its financial condition, the District has been required by law to demonstrate its ability to maintain a General Fund ending balance equal to 2% of its annual General Fund expenditures and transfers out of the General Fund in the current and the next two fiscal years. The adopted State budget for fiscal year 2011-12 suspends the requirement that K-12 districts demonstrate that they can meet their financial obligations for the next two fiscal years following fiscal year 2011-12. Based on the level of funding in the State's 2011-12 State Budget and assuming no mid-year budget reductions are implemented by the State as discussed below, the District is projecting that it will be able to maintain a reserve in excess of 2% of its General Fund expenditures and transfers out of the General Fund in fiscal years 2011-12, 2012-13 and 2013-14, respectively.

The adopted State budget for fiscal year 2011-12 provides for mid-year budget reductions for K-12 districts if State revenues fall short of projections by more than \$2 billion. The reductions to K-12 funding could be up to \$1.8 billion if State revenues were to be \$4 billion less than current projections. These mid-year reductions could reduce District base revenue limit funding by up to 4%, or approximately \$12.7 million.

If mid-year reductions occur, the State budget for fiscal year 2011-12 authorizes K-12 districts to reduce the school year by up to 7 days as a means of reducing expenses. Although the State budget allows for a shortening of the school year, this alternative would need to be negotiated with the District's collective bargaining groups. The District expects that, if mid-year reductions are implemented by the State, it would need to reduce expenditures in fiscal year 2011-12 to the extent possible to offset the revenue reductions. To the extent that the District is unable to reduce expenditures, its General Fund ending balance would be reduced from the amount projected in the 2011-12 Adopted General Fund Budget. See "STATE OF CALIFORNIA FISCAL ISSUES—2011-12 State Budget."

For the last several fiscal years, the State has deferred the payment of certain revenues due in one fiscal year to the subsequent fiscal year. The State's adopted budget for fiscal year 2011-12 again defers the payment of certain revenues from fiscal year 2011-12 to the following fiscal year. The fiscal year 2010-11 projected totals shown in Table 13 and the amounts in the 2011-12 Adopted Budget shown in Table 13 are based on an accrual method of accounting and, accordingly, do not reflect any deferral of revenues to future fiscal years. The District believes that it will have adequate cash on hand to pay its expenditures but as it has done in the last two fiscal years may again issue short-term notes for cash flow purposes. See "STATE OF CALIFORNIA FISCAL ISSUES" herein.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues); (2) federal revenues; (3) other State revenues; and (4) other local revenues. Each of these revenue sources is described below.

Revenue Limit Sources

Since fiscal year 1973-74, State school districts have operated under general purpose revenue limits established by the State Legislature. In general, the base revenue limits are calculated for each school district by multiplying (1) the ADA for each such district by (2) a base revenue limit per unit of ADA. The base 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 State school districts of the same type. In fiscal year 2009-10, the District's funded base revenue limit per unit of ADA was \$5,221.50 and for fiscal year 2010-11 was \$5,321.24. For fiscal year 2009-10, the District has budgeted assuming a funded base revenue limit per unit of ADA of \$5,232.34.

In fiscal year 2009-10, the District received \$252,613,080 of revenue limit source income, representing approximately 67.7% of its General Fund revenues. For fiscal year 2010-11, the District estimates it received approximately \$267,304,904 of revenue limit source income, representing 68.4% of its General Fund revenues. The District has budgeted for base revenue limit funding of \$270,321,200 in fiscal year 2011-12, representing 74.2% of its projected General Fund revenues.

Funding of the District's revenue limit is accomplished by a mix of (1) local property taxes, and (2) State apportionments of basic and equalization aid. In fiscal year 2010-11, \$69,084,722 or 25.84% of the District's revenue limit sources was derived from property taxes. The District estimates that for fiscal year 2011-12 this percentage will remain unchanged. Generally, the State's apportionments amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. Property taxes collected by the County to pay the principal of and interest on the Bonds do not constitute local property taxes to be applied toward the District's revenue limit.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, many of which are restricted and must be spent by the District on specified programs, comprised approximately 7.9% of District General Fund revenues in fiscal year 2009-10 and approximately 11.3% in fiscal year 2010-11. In the District's 2011-12 Adopted General Fund Budget, federal revenues are projected to equal approximately 5.8% of General Fund revenues.

Other State Sources

As discussed above under the caption "Revenue Limit Sources," the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax sources. In addition to such apportionment revenue, the District receives substantial other State revenues ("Other State Revenues"). In fiscal year 2009-10 and 2010-11, respectively, Other State Revenues comprised approximately 23.7% and 19.34% of total General Fund revenues. In the District's 2011-12 Adopted General Fund Budget, Other State Revenues are projected to equal approximately 19.34% of total General Fund revenues.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Sources") from items such as the leasing of property owned by the District and interest earnings. These Other Local Sources comprised less than 1% of the total General Fund revenues in fiscal years 2009-10 and 2010-11, and are budgeted to remain at less than 1% of the total General Fund revenues in fiscal year 2011-12.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth. The District also maintains a Building Fund, State School Building Lease-Purchase Fund and a Special Reserve Fund for Capital Outlay separate and apart from the General Fund to account for general obligation bond proceeds, State apportionments provided for the construction and reconstruction of school facilities and a reserve for Board designated construction projects, respectively.

Collection of developer fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is \$3.90 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is \$0.47 per square foot.

As of June 30, 2011, based on the District's unaudited, estimated actual results, there was a balance of approximately \$17,845,374 in the District's Capital Facilities Fund, a balance of approximately \$344,555 in the Building Fund, a balance of approximately \$12,249,272 in the State School Building Fund (which includes funds provided by the State) and a balance of approximately \$154,622 in the Special Reserve for Capital Outlay Fund.

DISTRICT DEBT STRUCTURE

Long-Term Debt

A schedule of changes of the District in long-term debt for the year ended June 30, 2010, is shown below:

<i>Long Term Debt</i>	<i>Balance June 30, 2009</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2010</i>	<i>Due in One Year</i>
General Obligation Bonds	\$185,163,075	\$104,608,829	\$ 6,710,000	\$ 283,061,904	\$ 7,366,713
Premium on Issuance	8,779,873	10,474,218	577,816	18,676,275	--
Bond Anticipation Notes	67,520,000	--	67,520,000	--	--
2001 Refunding Certificates of Participation	28,035,000	--	995,000	27,040,000	1,030,000
Claims Liability	6,610,553	828,404	1,220,426	6,218,531	1,220,426
Supplemental Early Retirement Plan ("SERP")	4,462,922	7,593,733	931,635	11,125,020	2,695,843
Other Postemployment Benefits ("OPEB")	2,236,100	2,666,803	898,830	4,004,073	--
Accumulated Vacation - Net	<u>3,745,534</u>	<u>106,762</u>	--	<u>3,852,296</u>	--
Total	<u>\$306,553,057</u>	<u>\$126,278,749</u>	<u>\$ 78,853,707</u>	<u>\$353,978,099</u>	<u>\$ 12,312,982</u>

Source: The District.

Certificates of Participation

The District has one series of certificates of participation issued in October 2010 which remains outstanding. The certificates of participation evidence fractional interests in lease payments to be made by the District, as lessee under certain lease agreements with the Corona-Norco Unified School District Land Acquisition Corporation, as lessor. The lease payments are payable from any legally available funds of the District, including amounts in the General Fund. As of June 30, 2011, the certificates of participation were outstanding in the amount of \$30,065,000. See Note 9 to APPENDIX D—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS" herein.

General Obligation Bonds

In 1998, the District identified a capital facilities need to alleviate school district overcrowding, upgrade classroom technology and perform necessary repairs to school facilities. Voters approved a \$65 million general obligation bond authorization in April 1998 to fund required capital improvements (the "1998 Authorization"). The District has issued four series of general obligation bonds and a series of refunding general obligation bonds through the 1998 Authorization. On November 7, 2006, the voters of the District approved a \$250 million general obligation bond authorization for purpose of building new classrooms, elementary, intermediate and high schools, increasing kindergarten classrooms, adding school libraries, creating reading, science and computer labs, upgrading technology and upgrading security, sprinklers, smoke detectors and fire doors (the "Authorization"). The District has issued four series of general obligation bonds through the Authorization totaling \$228,427,121.65. The Series E Bonds are the final series of bonds to be

issued under the Authorization. See Note 9 to APPENDIX B—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS" herein.

Tax and Revenue Anticipation Notes

On September 28, 2010, the District issued its \$18,000,000 2010-11 Tax and Revenue Anticipation Notes (the "TRANS") to supplement the District's cash flow. The TRANS mature on September 28, 2011. Repayment requirements are that certain amounts due to be deposited in a special fund. The monies are required to remain on deposit until the maturity date of the TRANS, at which time they will be applied to pay the principal and interest on the TRANS.

Community Facilities District Bonds

As of June 30, 2010, the District had formed various community facilities districts ("CFDs"), which had a combined \$168,249,697 of debt outstanding. The debt of the CFDs is payable from special taxes levied on the parcels within those CFDs and not from general revenues of the District. A schedule of changes in the debt of the CFDs for the year ended June 30, 2010 is as set forth in the table below. No additional debt of the CFDs has been issued since June 30, 2010.

CORONA-NORCO UNIFIED SCHOOL DISTRICT CFD Debt⁽¹⁾

CFD Debt	Balance July 1, 2009	Deductions	Balance June 30, 2010
District CFD Special Tax Bonds:			
CFD 6 Series 1996A	\$ 1,505,000	\$ 345,000	\$ 1,160,000
CFD 88-1 Series 1996A	2,795,000	405,000	2,390,000
CFD 98-1 Series 2002	22,375,000	260,000	22,115,000
CFD 98-1 Series 2003	25,950,000	270,000	25,680,000
CFD 00-1 Series 2003 Sierra Peak	2,495,000	50,000	2,445,000
CFD 01-2B Series 2003	3,515,000	70,000	3,445,000
CFD 03-1 Series 2004	13,040,000	290,000	12,750,000
CFD 04-1 Series 2006	13,390,000	240,000	13,150,000
CFD 06-1 Series 2007	5,815,000	85,000	5,530,000
Total	<u>\$ 90,680,000</u>	<u>\$ 2,015,000</u>	<u>\$ 88,665,000</u>
Public Financing Authority CFD Special Tax Bonds:			
CFD 01-1A Series 2002A	\$ 3,860,000	\$ 75,000	\$ 3,585,000
CFD 01-1B Series 2002A	6,610,000	140,000	6,470,000
CFD 01-2A Series 2004A	3,990,000	75,004	3,915,000
CFD 03-3A Series 2004A	2,705,000	50,000	2,655,000
CFD 03-3B Series 2004A	2,920,000	55,000	2,865,000
CFD 03-4 Series 2004A	2,365,000	45,000	2,320,000
CFD 01-2C Series 2005A	8,200,000	155,000	8,045,000
CFD 03-2 Series 2005A	2,565,000	50,000	2,515,000
CFD 03-5 Series 2005A	2,720,000	50,000	2,670,000
CFD 97-1 Series 2005B	1,441,557	51,824	1,389,733
CFD 99-1 Series 2005B	3,494,669	101,546	3,393,123
CFD 99-2, Improvement Area A Series 2005B	2,755,406	72,499	2,682,907
CFD 99-2, Improvement Area B Series 2005B	2,072,955	58,928	2,014,027
CFD 99-2, Improvement Area C Series 2005B	2,448,427	70,880	2,377,547
CFD 02-1 Series 2005B	4,143,401	45,579	4,097,822
CFD 02-2A Series 2005B	3,648,000	78,319	3,569,681
CFD 02-2B Series 2005B	54,617,052	97,195	4,519,857
CFD 04-2, Improvement Area 1 Series 2006A	2,615,000	45,000	2,570,000
CFD 04-2, Improvement Area 2 Series 2006A	3,195,000	55,000	3,140,000
CFD 04-2, Improvement Area 3 Series 2006B	2,160,000	40,000	2,120,000
CFD 05-1 Series 2006B	12,905,000	235,000	12,670,000
Total	<u>\$ 81,231,467</u>	<u>\$ 1,646,770</u>	<u>\$ 79,584,697</u>
Total	<u>\$ 171,911,467</u>	<u>\$ 3,661,770</u>	<u>\$ 168,249,697</u>

⁽¹⁾ Unaudited.

Source: The District.

Direct and Overlapping Debt

The information provided in Table 18 below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and do not guarantee its accuracy.

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special

tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 18 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

Table 18
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Corona-Norco Unified School District
As of September 1, 2010

2010-11 Assessed Valuation: \$26,103,387,071
 Redevelopment Incremental Valuation: 4,521,091,312 (preliminary)
 Adjusted Assessed Valuation: \$21,582,295,759

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 9/1/10</u>
Metropolitan Water District	1.184%	\$ 3,128,365
Riverside City Community College District	36.771	46,596,619
Corona-Norco Unified School District	100.	257,292,399⁽²⁾⁽³⁾
Corona-Norco Unified School District Community Facilities Districts	100.	164,329,887
City of Riverside	0.002	333
City of Corona Community Facilities Districts	100.	133,844,999
City of Corona 1915 Act Bonds	100.	6,360,000
City of Norco Community Facilities Districts	79.907-100.	39,388,999
Special District Community Facilities Districts	100.	301,489,803
Riverside County Community Facilities Districts	100.	<u>21,285,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$989,281,428
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	14.253%	\$104,956,122
Riverside County Pension Obligations	14.253	53,463,003
Riverside County Board of Education Certificates of Participation	14.253	1,031,917
Corona-Norco Unified School District General Fund Obligations	100.	27,040,000
City of Corona General Fund Obligations	93.898	63,676,929
City of Riverside General Fund and Pension Obligations	0.002	<u>7,006</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$250,174,977
Less: Riverside County self-supporting obligations		2,155,408
City of Corona supported by wastewater revenues		<u>2,629,144</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$245,390,425
 GROSS COMBINED TOTAL DEBT		 \$1,223,891,381⁽⁴⁾
NET COMBINED TOTAL DEBT		\$1,219,106,829

- (1) Based on 2009-10 ratios.
 (2) Excludes issue to be sold.
 (3) Excludes accreted interest of capital appreciation bonds.
 (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt (\$257,292,399) 0.99%
 Total Direct and Overlapping Tax and Assessment Debt..... 3.73%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$284,332,399) 1.32%
 Gross Combined Total Debt..... 5.67%
 Net Combined Total Debt..... 5.65%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

- (1) Based on 2009-10 ratios.
 (2) Excludes issue to be sold.
 (3) Excludes accreted interest of capital appreciation bonds.
 (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" herein. Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 22, 39, 46, 49, 98, 111, and 1A, and certain other provisions of law discussed below, are discussed in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy ad valorem taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also

permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit. The District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIII C and XIII D

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including school districts, from levying general taxes; and prohibits any local agency from imposing, extending or

increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer and Tax Collector to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. In the case of *Bighorn-Desert View Water Agency v. Virgil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIII C. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds.

The provisions of Article XIII C and XIII D may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school 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, 2003, 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 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

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

Proposition 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

Proposition 1A

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

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010. See "Proposition 22" below.

Proposition 22

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22. Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Jarvis v. Connell

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 39, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information. The following information has been adapted from information provided by the State in connection with its issuance of certain of its bonds and by the State Department of Finance in its summary of the 2011-12 adopted State budget and by the Legislative Analyst's Office (the "LAO") in reports dated October 12, 2010, November 10, 2010, January 12, 2011 and May 19, 2011 regarding the State's budget and fiscal outlook for the next several years.

As a result of State budget shortfalls in recent years, the District has received significantly less revenue from the State and has had to reduce expenditures. See "DISTRICT FINANCIAL MATTERS—Historical General Fund Financial Information" and "—Current Financial Condition" herein.

General Overview

Current Financial Stress on State Budget. Since the start of 2008, the State has been experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. As a result of continuing weakness in the state economy, state tax revenues have declined precipitously, resulting in large budget gaps and cash shortfalls. In response to the severe economic downturn, the State implemented substantial spending reductions, program eliminations, revenue increases, and other solutions in order to close an estimated \$60 billion budget gap over the combined 2008-09 and 2009-10 fiscal years. On October 8, 2010, the State adopted a budget for fiscal year 2010-11 (the "2010-11 State Budget") to close an estimated budget gap of \$17.9 billion for the current fiscal year. Following the adoption of the fiscal year 2010-11 budget, many of the budget assumptions did not materialize and, in enacting its budget for fiscal year 2011-12 (the "2011-12 State Budget"), the State took steps to close a combined budget gap of \$26.6 billion for fiscal years 2010-11 and 2011-12. As discussed below, _____.

Fiscal Outlook Report. On November 10, 2010, the LAO released a report entitled "The 2011-12 State Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which updated expenditure and revenue projections for fiscal year 2010-11 and projected substantial budget shortfalls through fiscal year 2015-16. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provided the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2010-11 through 2015-16 under current law, absent any actions to close the State's budget gap. Such projections primarily reflected current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The Fiscal Outlook Report projected that, absent further budgetary adjustments, there would be a \$19 billion gap in fiscal year 2011-12 and annual budget gaps of about \$20 billion each year through fiscal year 2015-16. The LAO notes in the Fiscal Outlook Report that, because the methodology used generally

assumes no cost of living adjustments, the projections probably understate the magnitude of the State's fiscal problems during the forecast period.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. None of the information on the website is incorporated by reference herein.

In its summary of the 2011-12 State Budget, the Department of Finance states that the 2011-12 State Budget makes substantial progress in reducing the ongoing structural deficit in the State budget through the combination of ongoing spending reductions and an improved revenue outlook. According to the Department of Finance, under current projections, the structural deficit through fiscal year 2014-15 has been reduced to less than \$5 billion annually.

Cash Management by State and Impact on Schools. The sharp drop in revenues over the last two fiscal years has also resulted in a significant depletion of cash resources to pay the State's obligations. In July 2009, the State's cash resources had dwindled so far that, commencing July 2, 2009, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of the recipients thereof, bore interest. With enactment of an amended budget in late July 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

To better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring the amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009, 2009-2010, 2010-11 and 2011-12. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

There can be no assurances that the fiscal stress and cash pressures currently facing the State will not continue or become more difficult, or that future declines in State tax receipts or other impacts of the current economic recession will not further materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future.

2010-11 State Budget

The 2010-11 State Budget was signed into law by the Governor on October 8, 2010. On October 12, 2010, the LAO released its summary of the major features of the 2010-11 State Budget (the "LAO Budget Summary"). The following information is adapted from LAO Budget Summary. The District has not independently verified the information in the LAO Budget Summary.

At the time of adoption of the 2010-11 State Budget, the State was projecting a fiscal year 2010-11 ending deficit of approximately \$17.9 billion, absent corrective measures. To address this gap, the 2010-11 State Budget relied on \$7.8 billion of expenditure and cost reductions, \$5.4 billion of federal funding measures, \$3.3 of revenue measures, and \$2.7 billion of loans, transfers and one-time fund shifts.

With the implementation of these measures, the 2010-11 State Budget assumed, for fiscal year 2009-10, year-end revenues of \$81.6 billion and expenditures of \$86.3 billion. The 2010-11 State Budget also assumed the State ended fiscal year 2009-10 with a budget deficit of \$6.3 billion. For fiscal year 2010-11, the 2010-11 State Budget projected total revenues of \$89.4 billion (an increase of 8.4% from the prior year) and authorizes total expenditures of \$86.5 billion (an increase of 0.2% from the prior year). Based on these revenue and expenditure assumptions, the 2010-11 State Budget projected to end fiscal year 2010-11 with a

\$1.3 million surplus. The LAO notes that well over two-thirds of the measures included in the 2010-11 State Budget are of a one-time nature. As a result, the LAO concluded that the State is expected to continue facing structural deficit problems in future fiscal years.

Total Proposition 98 funding in the 2010-11 State Budget is increased in fiscal year 2010-11 to \$49.7 billion, including \$36.2 billion from the State general fund. This represented an increase of \$115 million, or 0.2%, from the prior year. To fund at this level, the 2010-11 State Budget authorized the suspension of the Proposition 98 minimum funding requirement. Absent this suspension, the LAO estimated that Proposition 98 funding would need to increase by approximately \$4.1 billion in fiscal year 2010-11. The 2010-11 State Budget also projected a "settle up obligation" of approximately \$1.8 billion resulting from the State appropriating less funding in fiscal year 2009-10 than required by the Proposition 98 minimum funding guarantee. The 2010-11 State Budget provided for \$300 million to begin funding this settle-up obligation.

Although Proposition 98 funding increased slightly in fiscal year 2010-11, expenditure reductions were necessary because of the number of one-time solutions built into the fiscal year 2009-10 budget. To that end, the 2010-11 State Budget reduced total Proposition 98 expenditures by approximately \$3.4 billion. The bulk of this reduction was treated as payment deferral rather than a spending cut. Specifically, the 2010-11 State Budget provided for the deferral of \$1.9 billion in State apportionments due in the spring of 2011, including \$1.7 billion for school districts and county offices of education. The 2010-11 State Budget projected significant savings in child care funding by requiring contractors to utilize accumulated reserves to offset contract amounts (\$83.1 million), reducing reimbursement rates for certain providers (\$18.7 million) and reducing administrative allowances for certain contractors (\$17.1 million). Other significant measures included a decrease of \$700 million in unallocated funds for a variety of K-12 categorical programs, and \$550 million in projected savings in the K-3 Class Size Reduction Program.

Other significant features of the 2010-11 State Budget were the following:

- *Higher Education.* \$250 million of increased funding to the University of California system and \$260 million of increased funding to the California State University system. These augmentations are each \$106 million lower than the amounts included in the May Revision, reflecting the receipt of federal stimulus funding. The 2010-11 State Budget also includes a \$100 million reduction to the Cal Grant financial aid program, and instead backfills this reduction with excess revenue from the Student Loan Operating Fund.
- *State Employee Compensation.* The 2010-11 State Budget implements \$1.6 billion in reductions to State personnel costs, including \$896 million in anticipated savings from recent agreements with State employee unions and \$580 million in anticipated savings from a 5% reduction in the State workforce.
- *Social Services.* \$300 million in anticipated savings in the IHSS program, including \$190 million from the application of the State sales tax to IHSS providers, \$35 million from a 3.6% reduction to authorized service hours for IHSS recipients, and a \$75 million adjustment to reflect a lower than anticipated caseload.
- *Medi-Cal.* \$187 million in anticipated savings by requiring managed care enrollment of certain Medi-Cal recipients, \$100 million in anticipated savings from rate freezes and reductions to certain Medi-Cal providers, and \$26 million in assumed savings from antifraud efforts.
- *CalWORKs.* The 2010-11 State Budget does not include the proposed elimination of the CalWORKs program included in the May Revision. However, CalWORKs funding was subject to various Gubernatorial vetoes, as discussed below.

- *Corrections/Rehabilitation.* \$820 million in unallocated reductions to inmate medical services achieved primarily by paroling certain sick inmates. The 2010-11 State Budget also assumes \$219 million in savings from unspecified adult correctional population changes.
- *State Courts.* \$405 million reduction to State general fund support for trial courts. This reduction would be largely offset by a one-time shift of \$350 million in redevelopment funding.
- *Local Mandate Securitization.* The 2010-11 State Budget authorizes joint powers authorities to issue up to \$1 billion of ten-year “local mandate claim receivables” backed by the State’s repayment obligation to cities, counties and special districts. Under the plan, the State would pay interest on the receivables at a rate of 2% per year, with local agencies bearing all other additional interest or issuance costs.
- *Federal Funding.* As mentioned above, the 2010-11 State Budget assumes \$5.4 billion in federal funding measures, allowing for a like reduction of State general fund costs. This additional funding is to be achieved primarily through federal approval for reductions in state costs or service levels, and the receipt of additional federal stimulus funding. The LAO notes that most of these measures have not been approved by Congress.
- *Revenue Measures.* The 2010-11 State Budget includes \$3.3 billion of revenue measures, including (i) \$1.4 billion in additional revenues by adopting the LAO’s May 2010 revenue forecast, (ii) \$1.2 billion of additional revenues by extending the current ban on Net Operating Loss tax deductions, and (iii) \$1.2 billion in one-time revenue from the sale of 11 state office properties.
- *Gubernatorial Vetoes.* In signing the budget, the Governor vetoed \$963 million in State general fund expenditures, including (i) \$256 million by eliminating CalWORKs Stage 3 child care, (ii) \$80 million for child welfare services, (iii) \$12 million for HIV/AIDS health programs, (iv) \$10 million for health clinics, (v) \$6 million for community based programs run by the Department of Aging, and (vi) \$133 million of funding for student mental health services.

Additional information regarding the 2010-11 State Budget is available from the LAO’s website: www.lao.ca.gov. None of the information on the website is incorporated by reference herein.

2011-12 State Budget

The 2011-12 State Budget Act for the State (the “2011-12 State Budget”) was signed into law by the Governor on June 30, 2011. The Department of Finance has released its summary of the 2011-12 State Budget (the “Department of Finance Report”). The following information is drawn from the Department of Finance Report.

The 2011-12 State Budget seeks to close a deficit of \$26.6 billion through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 State Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State’s revenue outlook totaling \$8.3 billion.

The 2011-12 State Budget reports that the State economy has continued to improve, with tax collections approximately \$1.2 billion above the amounts projected by the State in May 2011. As a result, the 2011-12 State Budget projects an additional \$4 billion in revenues during fiscal year 2011-12. Although the 2011-12 State Budget does not include any tax extensions as had been proposed by the Governor, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State’s revenues.

With the implementation of all measures, the 2011-12 State Budget assumes, for fiscal year 2010-11, year-end revenues of \$94.8 billion and expenditures of \$91.5 billion. The 2011-12 State Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of \$2 billion. For fiscal year 2011-12, the 2011-12 State Budget projects total revenues of \$88.5 billion and authorizes total expenditures of \$85.9 billion. The 2011-12 State Budget projects that the State will end fiscal year 2011-12 with a \$543 million surplus.

The 2011-12 State Budget also includes a series of “trigger” reductions that are authorized to be implemented in the event the State’s revenues are less than forecasted. The first series of reductions, totaling approximately \$600 million, would be implemented if by January 2012 State revenues fall short of projections by more than \$1 billion. If by January 2012 revenues are projected to fall short by more than \$2 billion, a second series of reductions in education spending, totaling approximately \$1.9 billion, would be implemented of which \$1.8 billion relate to K-12 revenue limit funding and the home-to-school transportation program.

As part of the second series of “trigger” reductions, the 2011-12 State Budget authorizes a reduction of \$1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length the school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means.

Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State’s share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 State Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a \$1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 State Budget, which authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education which total \$1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 State Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts.

The 2011-12 State Budget also makes a significant, one-time modification to State budgeting requirements under AB 1200 (see “DISTRICT FINANCIAL MATTERS – District Budget” herein). School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of 2011-12 State Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 State Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.

- *Part-Day Preschool.* A decrease of \$62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *Charter Schools.* \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.
- *Clean Technology and Renewable Energy Training.* \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.
- *Child Care and Development.* A decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *CALTIDES.* A decrease of \$2.1 billion to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 State Budget indicates the program is not a critical need.
- *Office of the Secretary of Education.* The 2011-12 State Budget projects a budget savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 State Budget may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget/. None of the information on these websites is incorporated by reference herein.

Future Budgets and Actions

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the current State budget deficit, changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the State General Fund budget.

Litigation Challenging Method of School Financing

In *Robles-Wong, et al. v. State of California* (Alameda County Superior Court, Case No. RG-10-515768), plaintiffs challenge the state's "education finance system" as unconstitutional. Plaintiffs, consisting of 62 minor school children, various school districts, the California Association of School Administrators and the California School Boards Association, allege the state has not adequately fulfilled its constitutional obligation to support its public schools, and seek an order enjoining the state from continuing to operate and rely on the current financing system and to develop a new education system that meets constitutional standards as declared by the court.

The District cannot predict the outcome of this litigation or its possible impact on the District's financial condition.

LEGAL MATTERS

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series E Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series E Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the Series E Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

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

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

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

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

affects the exclusion from gross income of interest (and original issue discount) on the Series E Bonds or their market value.

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the Series E Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Series E Resolution and the Tax Certificate relating to the Series E Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Series E Bond as to which any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

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

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

Legal Opinion

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, approving the validity of the Series E Bonds, substantially in the form of Appendix A hereto, will be made available to purchasers at the time of original delivery of the Series E Bonds and a copy of the opinion will be delivered with each Series E Bond. Bond Counsel expresses no opinion to the Owners of the Series E Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Series E Bonds and expressly disclaims any duty to advise the Owners of the Series E Bonds as to matters related to the Official Statement.

Legality for Investment in California

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

No Litigation

No litigation is pending or threatened concerning the validity of the Series E Bonds, and a certificate to that effect will be furnished by the District at the time of the original delivery of the Series E 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 and retire the Series E Bonds.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), a copy of which is attached hereto as Appendix C, the District will agree, upon the occurrence of any of the following "Listed Events", to report the occurrence of such event to the information depositories and the Municipal Securities Rulemaking Board following its determination that such event would constitute material information for the Owners of the Series E Bonds. Listed Events include: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls (other than mandatory scheduled redemptions, not otherwise contingent upon the occurrence of an event, including but not limited to, sinking fund payments); (9) defeasances; (10) release, substitution or sale of property securing repayments of the securities; or (11) rating changes.

In addition, the District has agreed to provide certain annual financial and operating data to information repositories not later than the April 1 following the end of each fiscal year of the District.

The annual financial and operating data required by the Continuing Disclosure Agreement will be filed with any organization and through any method approved by the staff or members of the Securities and Exchange Commission and in compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). In accordance with the Rule, reports will be filed through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

These covenants have been made in order to assist the Underwriter in complying with the Rule. The Owners of the Series E Bonds are third party beneficiaries of the Continuing Disclosure Agreement. In the event the District fails to comply with any provision in the Continuing Disclosure Agreement, the Dissemination Agent (as defined in the Continuing Disclosure Agreement) may (or shall upon direction of the Owners of 25% in aggregate principal of the Series E Bonds then outstanding or the Underwriter) take all action necessary to cause the District to comply with the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be an event of default under the Series E Resolution. In addition, no person or entity shall be entitled to recover any monetary damages under the Continuing Disclosure Agreement.

During the past five years, the District has not failed to comply in all material respects with its previous undertakings with regard to the Rule.

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Group, a division of the McGraw Hill ("S&P"), are expected to assign the Series E Bonds the long term ratings of "Aa2" and "AAA," respectively with the understanding that, upon the delivery of the Series E Bonds, the Policy insuring the payment of the principal and interest of the Series E Bonds when due will be issued by the Insurer. In addition, Moody's and S&P have assigned the underlying ratings of "___" and "___," respectively, to the Series E Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center 250 Greenwich Street, New York, New

York 10007; Standard & Poor's Corporation, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series E Bonds.

Underwriting

The Series E Bonds are being purchased for reoffering by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Series E Bonds pursuant to a Contract of Purchase with the District (the "Contract of Purchase") at the initial purchase price of \$_____ (which represents the aggregate principal amount of the Series E Bonds, plus original issue premium of \$_____, less Underwriter's discount of \$_____). The Contract of Purchase provides that the Underwriter will purchase all of the Series E Bonds. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

Audited Financial Statements

The District's audited financial statements for fiscal year 2009-10 included in this Official Statement have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors. Attention is called to the scope limitation described in the auditor's report accompanying the financial statements. Vavrinek, Trine, Day & Co., LLP has not been requested to consent to the inclusion of its report in this Official Statement. Vavrinek, Trine, Day & Co., LLP has not undertaken to update the audited financial statements for fiscal year 2009-10 or its report, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to its report dated December 9, 2010. See Appendix B—"DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS" herein.

Financial Interests

The fees being paid to the Underwriter and Bond Counsel are contingent upon the issuance and delivery of the Series E Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series E Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series E Bonds. Quotations from and summaries and explanations of the Series E Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Piper Jaffray & Co. is acting as the Underwriter of the Series E Bonds and has received a variety of District reports. These reports include audits and budgets. Any Series E Bond Owner may obtain copies of such reports, as available, from the District at 2820 Clark Avenue, Norco, California 92860. The District may impose a charge for copying, mailing and handling.

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: /s/ Kent L. Bechler
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Honorable Members of the Board of Education
Corona-Norco Unified School District
Norco, California

Re: § _____ *Corona-Norco Unified School District Election of 2006 General Obligation Bonds Series E*

Dear Honorable Members of the Board of Education:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the County of Riverside (the "County") and the Corona-Norco Unified School District (the "District") taken in connection with the authorization and issuance of the District's Election of 2006 General Obligation Bonds Series E in the aggregate principal amount of \$ _____ (the "Series E Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the County, the District, the initial purchaser of the Series E Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

In rendering this opinion, we have relied upon certain representations of fact and certifications made by the County, the District, the initial purchaser of the Series E Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Series E Bonds have been issued by the County on behalf of the District pursuant to Article 4.5, Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, a resolution adopted by the Board of Education of the District on July 19, 2011 (the "District Resolution") and a resolution adopted by the Board of Supervisors of the County on _____, 2011 (the "County Resolution"). Capitalized terms not otherwise defined herein shall have the meaning set forth in the County Resolution.

The Series E Bonds mature on the dates and in the amounts set forth in the County Resolution. The Series E Current Interest Bonds are dated their date of delivery and bear interest payable semiannually on each February 1 and August 1, commencing February 1, 2012, at the rates per annum described in the County Resolution. The Series E Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009, which accreted interest is payable only at maturity. The Series E Bonds are registered bonds as set forth in the County Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Series E Bonds have been duly and validly authorized and constitute legal, valid and binding obligations of the District enforceable in accordance with their terms and the terms of the District Resolution and County Resolution, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the

enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California. The Series E Bonds are obligations of the District but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the County, the State of California, or any such political subdivisions is pledged for the payment thereof.

(2) The County Resolution has been duly adopted by the Board of Supervisors of the County and constitutes a legal, valid and binding obligation of the County. The District Resolution has been duly adopted by the Board of Education of the District and constitutes a legal, valid and binding obligation of the District. The County Resolution and the District Resolution are enforceable in accordance with their terms except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions of the District Resolution and the County Resolution as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(3) The Series E Bonds are secured by the proceeds of *ad valorem* taxes levied upon taxable property in the District which the County has the power to levy and is obliged by statute to levy without limit as to rate or amount (except as to certain personal property which is taxable at limited rates) for payment of the Series E Bonds and the interest thereon.

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

(5) Interest (and original issue discount) on the Series E Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Series E Bond (the first price at which a substantial amount of the Series E Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series E Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series E Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series E Bond owner will increase such Series E Bond owner's basis in the applicable Series E Bond. Original issue discount that accrues for a Series E Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

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

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series E Bonds is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series E Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series E Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Series E Bonds.

Certain agreements, requirements and procedures contained or referred to in the County Resolution, the District Resolution and the Tax Certificate executed by the District with respect to the Series E Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Series E Bonds if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein and the exclusion of interest on the Series E Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement as Bond Counsel terminates upon the issuance of the Series E Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Series E Bonds or other offering material relating to the Series E Bonds and expressly disclaim any duty to advise the owners of the Series E Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX B

DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of _____ 1, 2011 is executed and delivered by the Corona-Norco Unified School District (the "Issuer") and Special District Financing & Administration LLC, as dissemination agent, (the "Dissemination Agent") in connection with the issuance and delivery of \$ _____ Election of 2006 General Obligation Bonds Series E (the "Series E Bonds"). The Series E Bonds are being issued pursuant to a resolution of the Issuer, adopted on July 19, 2011 (the "District Resolution"), and a resolution of the Board of Supervisors of the County of Riverside adopted on _____, 2011 (the "County Resolution" and, together with the District Resolution, the "Resolution"). The Issuer and the Dissemination Agent, as dissemination agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners of the Series E Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean the Superintendent of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, Special District Financing & Administration LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Participating Underwriter" shall mean Piper Jaffray & Co. as the original underwriter of the Bonds.

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

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than the February 1 following the end of the Issuer's fiscal year, commencing with the report for the fiscal year ending June 30, 2011, provide to the MSRB the first Annual Report due by February 1, 2012 and each Annual Report due thereafter, which Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent of a change in the fiscal year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

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

(a) (i) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the current fiscal year; and (iii) an update of the information contained in Tables 1 through 3 and 7 contained under the headings "TAX BASE FOR REPAYMENT OF THE BONDS" and "THE DISTRICT" in the Official Statement for the Bonds. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial

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

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

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

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5), 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;
2. 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;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption; and
7. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days written notice to the Issuer. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare

any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have received and delivered to the Dissemination Agent, if other than the Issuer, an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners at least 25% of the outstanding Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer 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 Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Agreement, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal amount of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Agreement. In the event of a failure of the Issuer to comply with any

provision of this Disclosure Agreement, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer 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 Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement. The provisions of this Section 11 shall apply only if the Dissemination Agent is a person or entity other than the Issuer.

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

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Superintendent
Corona-Norco Unified School District
2820 Clark Avenue
Norco, California 91760

Dissemination Agent: Special District Financing & Administration LLC
333 South Juniper Street, Suite 208
Escondido, California 92025

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: _____
Its: Superintendent

SPECIAL DISTRICT FINANCING &
ADMINISTRATION LLC, as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Corona-Norco Unified School District
Name of Bond Issue: Corona-Norco Unified School District
Riverside County, California
Election of 2006 General Obligation Bonds Series E
Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the Corona-Norco Unified School District (the "School District") has not provided an Annual Report with respect to the above-named Series E Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of _____ 1, 2011, by and between the School District and Special District Financing & Administration LLC, as dissemination agent. [The School District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Special District Financing & Administration LLC,
Dissemination Agent

cc: School District

APPENDIX D

**COUNTY OF RIVERSIDE OFFICE OF THE TREASURER-TAX COLLECTOR
2010 STATEMENT OF INVESTMENT POLICY**

APPENDIX E

GENERAL INFORMATION CONCERNING THE CITY OF CORONA AND THE CITY OF NORCO

The following information concerning the City of Corona ("Corona"), the City of Norco ("Norco"), the County of Riverside (the "County") and the State of California (the "State") are presented as general background information. The Series E Bonds are not an obligation of Corona, Norco, the County or the State and the taxing the power of Corona, Norco, the County and the State are not pledged to the payment of the Series E Bonds.

The District has not independently verified the information set forth in this Appendix E and while this information is believed to be reliable, it is not guaranteed as to accuracy by the District.

General – Corona

Corona is located in Western Riverside County 44 miles east of Los Angeles along State Route 91 and U.S. Interstate 15. Corona is approximately 34.61 square miles in area.

Incorporated in 1896, Corona operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year terms. The City Council elects one of the Council members as Mayor.

Corona provides police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning, and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation.

General – Norco

Norco is located directly north of Corona in Western Riverside County 44 miles east of Los Angeles along U.S. Interstate 15. Norco is approximately 17 square miles in area. Norco is an animal-keeping and equestrian-oriented community.

Incorporated in 1964, Norco operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year term. The City Council elects one of the Council members as Mayor.

Norco provides fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning, and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation. Law enforcement services are provided by the Riverside County Sheriff's Department.

Population

The following table offers population figures for Corona, Norco, the County and the State for January 1, 2007 through January 1, 2011.

Area	2007	2008	2009	2010	2011
City of Corona	145,848	146,620	148,770	150,416	153,649
City of Norco	27,333	27,134	27,819	27,370	27,060
County of Riverside	2,030,054	2,077,183	2,109,882	2,189,641	2,217,778
State of California	37,463,609	37,871,509	38,255,508	37,253,956	37,510,766

Source: *State of California, Department of Finance, E-5 Population Estimates for Cities, Counties and the State. Benchmark 2000 for year 2007-2009, Benchmark 2010 for years 2010-2011.* Sacramento, California, May 2011.

Construction Activity

The following table shows building permit valuations and new housing units in Corona for 2006 through 2010.

CITY OF CORONA Building Permit Valuation and New Housing Units

	2006	2007	2008	2009	2010
Residential					
Single Family	\$ 83,322,573	\$ 24,622,642	\$ 1,797,704	\$ 6,816,057	\$ 10,225,820
Multi-Family	28,178,676	5,673,752	28,692,489	7,589,858	1,159,516
Alteration/Additions	5,723,188	4,945,307	3,100,268	4,374,613	2,712,494
Total	<u>\$117,224,437</u>	<u>\$ 35,241,701</u>	<u>\$ 33,590,461</u>	<u>\$ 18,780,534</u>	<u>\$ 18,097,830</u>
Non-Residential					
New Commercial	\$ 45,127,665	\$ 48,596,455	\$ 74,256,067	\$ 1,599,196	\$ 329,627
New Industry	11,519,472	2,763,756	6,450,621	0	6,685,531
Other ⁽¹⁾	29,318,292	10,639,621	7,545,296	2,621,627	2,609,673
Alteration/Additions	32,692,957	31,885,689	20,785,677	14,705,067	41,651,861
Total	<u>\$118,658,386</u>	<u>\$ 93,885,522</u>	<u>\$ 109,038,661</u>	<u>\$18,925,890</u>	<u>\$51,276,692</u>
Total All Industry	<u>\$235,882,823</u>	<u>\$ 129,127,233</u>	<u>\$ 142,629,122</u>	<u>\$ 37,706,424</u>	<u>\$ 69,374,522</u>
New Housing Units					
Single Family Units	333	76	6	33	31
Multi-Family Units	220	40	359	58	38
Total	<u>553</u>	<u>116</u>	<u>365</u>	<u>91</u>	<u>69</u>

⁽¹⁾ Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

⁽²⁾ May not add up due to rounding.

Source: Construction Industry Research Board.

The following table shows permit valuations and new housing units in Norco for 2006 through 2010.

CITY OF NORCO
Building Permit Valuation and New Housing Units

	2006	2007	2008	2009	2010
Residential					
Single Family	\$ 1,342,210	\$ 1,131,526	\$ 1,937,145	\$ 0	\$ 531,390
Multi-Family	0	0	0	0	0
Alteration/Additions	<u>4,169,698</u>	<u>840,153</u>	<u>3,089,578</u>	<u>1,071,082</u>	<u>1,966,905</u>
Total	<u>\$ 5,511,908</u>	<u>\$ 1,971,715</u>	<u>\$ 5,026,723</u>	<u>\$ 1,071,082</u>	<u>\$ 2,498,395</u>
Non-Residential					
New Commercial	\$ 13,925,639	\$ 0	\$ 2,608,615	\$ 0	\$ 305,452
New Industry	8,000,000	0	3,154,179	0	0
Other ⁽¹⁾	6,207,019	4,233,393	3,010,910	4,735,401	3,268,680
Alteration/Additions	<u>2,100,513</u>	<u>5,830,156</u>	<u>3,570,671</u>	<u>1,574,398</u>	<u>1,358,919</u>
Total	<u>\$ 30,233,171</u>	<u>\$ 10,063,549</u>	<u>\$ 12,344,375</u>	<u>\$ 6,309,799</u>	<u>\$ 4,927,051</u>
Total All Industry	<u>\$ 35,745,079</u>	<u>\$ 12,035,268</u>	<u>\$ 17,371,098</u>	<u>\$ 7,380,881</u>	<u>\$ 7,425,346</u>
New Housing Units					
Single Family Units	8	4	5	0	2
Multi-Family Units	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>8</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>2</u>

⁽¹⁾ Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

⁽²⁾ May not add up due to rounding.

Source: Construction Industry Research Board.

Employment

The following table sets forth the major employers located in the County in 2010.

RIVERSIDE COUNTY LARGEST EMPLOYERS

<i>Rank</i>	<i>Name of Business</i>	<i>No. of Employees in Riverside County</i>	<i>Type of Business</i>
1	County of Riverside	17,669	County Government
2	March Air Reserve Base	8,500	Military Reserve Base
3	Stater Bros. Markets	6,900	Supermarkets
4	University of California, Riverside	5,790	University
5	Corona Norco Unified School District	4,790	School District
6	KSL Resorts	4,000	Resort
7	Pechanga Resort & Casino	4,000	Casino & Resort
8	Riverside Unified School District	3,801	School District
9	Hemet Unified School District	3,546	School District
10	Moreno Valley Unified School District	3,481	School District
11	Abbot Vascular	3,229	Surgical & Medical Instruments Manufacturer
12	Agua Caliente Band of Cahuilla Indians	2,800	Tribal Government/Casinos
13	Temecula Valley Unified School District	2,749	School District
14	City of Riverside	2,600	City Government
15	Eisenhower Medical Center	2,400	Hospital
16	Desert Sands Unified School District	2,360	School District
17	Riverside County Regional Medical Center	2,300	Hospital
18	Lake Elsinore Unified School District	2,291	School District
19	Morongo Casino, Resort & Spa	2,100	Casino & Resort
20	Palm Springs Unified School District	2,074	School District
21	Riverside Community College District	2,072	Community College District
22	Jurupa Unified School District	1,956	School District
23	Riverside Community Hospital	1,838	Hospital
24	Murrieta Valley Unified School District	1,816	School District
25	Coachella Valley Unified School District	1,767	School District

Source: Information gathered by Riverside County Economic Development Agency from employers listed websites and public records. 2010.

Employment and Industry

Employment data by industry is not separately reported on an annual basis for Corona and Norco but is compiled for the County of Riverside. In addition to varied manufacturing employment, the County has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2006 through 2010.

COUNTY OF RIVERSIDE Industry Employment & Labor Force - by Annual Average March 2010 Benchmark

	2006	2007	2008	2009	2010
Total Farm	14,200	13,000	13,100	12,400	12,800
Total Nonfarm	606,400	607,200	578,900	553,900	523,900
Goods Producing	138,400	124,000	103,700	79,900	73,900
Natural Resources and Mining	700	700	500	500	400
Construction	80,700	68,900	54,700	40,400	35,600
Manufacturing	57,000	54,400	48,400	39,000	38,000
Durable Goods	41,400	39,300	34,000	26,800	26,400
Nondurable Goods	15,600	15,100	14,400	12,200	11,500
Service Providing	468,000	483,300	475,200	454,000	450,000
Trade, Transportation and Utilities	123,400	130,000	126,400	117,200	116,900
Wholesale Trade	20,500	21,100	20,400	18,700	19,100
Retail Trade	85,900	88,000	84,900	78,800	78,200
Transportation, Warehousing and Utilities	17,000	20,900	21,200	19,700	19,500
Information	7,700	7,800	7,700	8,500	10,200
Financial Activities	23,600	23,000	22,300	20,700	19,300
Professional and Business Services	62,600	63,000	58,000	53,600	50,600
Educational and Health Services	53,500	56,900	58,100	57,900	58,600
Leisure and Hospitality	71,900	73,700	72,800	68,700	68,500
Other Services	20,500	20,100	19,400	18,100	18,100
Government	<u>104,800</u>	<u>108,800</u>	<u>110,600</u>	<u>109,300</u>	<u>107,800</u>
Total, All Industries	<u>620,500</u>	<u>620,000</u>	<u>592,000</u>	<u>546,300</u>	<u>536,600</u>

Source: State of California Employment Development Department.

The following table summarizes the labor force, employment and unemployment figures over the past six years for Corona, Norco, the County, the State and the nation as a whole.

**CITY OF HEMET, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment</i> ⁽¹⁾	<i>Unemployment</i> ⁽²⁾	<i>Unemployment Rate (%)</i> ⁽³⁾
2005				
City of Corona	80,200	77,100	3,100	3.9%
City of Norco	12,900	12,400	600	4.3
Riverside County	857,300	811,000	46,300	5.4
California	17,629,200	16,671,900	957,200	5.4
United States ⁽⁴⁾	149,320,000	141,730,000	7,591,000	5.1
2006				
City of Corona	83,100	80,000	3,000	3.6%
City of Norco	13,400	12,900	55	4.0
Riverside County	890,100	845,300	44,800	5.0
California	17,821,100	16,948,400	872,700	4.9
United States ⁽⁴⁾	151,428,000	144,427,000	7,001,000	4.6
2007				
City of Corona	84,700	81,000	3,700	4.3%
City of Norco	13,700	13,000	700	4.8
Riverside County	911,500	856,500	55,000	6.0
California	18,078,000	17,108,700	969,300	5.4
United States ⁽⁴⁾	153,124,000	146,047,000	7,078,000	4.6
2008				
City of Corona	84,900	79,600	5,200	6.2%
City of Norco	13,700	12,800	900	6.9
Riverside County	918,800	839,900	79,000	8.6
California	18,391,800	17,059,600	1,332,300	7.2
United States ⁽⁴⁾	154,287,000	145,362,000	8,924,000	5.8
2009				
City of Corona	84,100	75,700	8,300	9.9%
City of Norco	13,700	12,200	1,500	11.00
Riverside County	913,900	790,000	123,900	13.6
California	18,250,200	16,163,900	2,086,200	11.4
United States ⁽⁴⁾	154,142,000	139,877,000	14,265,000	9.3
2010				
City of Corona	83,500	74,400	9,100	10.9%
City of Norco	13,600	11,900	1,600	12.0
Riverside County	913,400	779,100	134,300	14.7
California	18,176,200	15,916,300	2,259,900	12.4
United States ⁽⁴⁾	153,889,000	139,064	14,825,000	9.6

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

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

Property Values and Property Taxes

The following table summarizes the assessed value of Corona for fiscal years 2006-07 through 2010-11.

CITY OF CORONA Assessed Valuations For Fiscal Years 2006-07 Through 2010-11

	<i>Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2006-07	\$14,898,210,163	\$7,464,421	\$ 994,697,360	\$15,900,371,944
2007-08	16,566,883,043	3,724,135	1,120,466,497	17,691,073,675
2008-09	16,455,428,732	3,724,135	1,230,076,672	17,689,229,539
2009-10	15,114,420,610	3,724,135	1,186,468,433	16,304,613,178
2010-11	14,903,117,173	3,724,135	1,141,931,720	16,048,773,028

Source: California Municipal Statistics, Inc.

The following table summarizes the assessed value of Norco for fiscal years 2006-07 through 2010-11.

CITY OF NORCO Assessed Valuations For Fiscal Years 2006-07 Through 2010-11

	<i>Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2006-07	\$2,551,862,702	\$418,176	\$89,619,583	\$2,641,900,461
2007-08	2,800,377,143	418,176	90,604,880	2,891,400,199
2008-09	2,827,637,775	418,176	82,417,775	2,910,473,726
2009-10	2,503,656,576	418,176	79,381,526	2,583,456,278
2010-11	2,454,649,231	418,176	76,129,796	2,531,197,203

Source: California Municipal Statistics, Inc.

Retail Sales

The table below presents Corona's retail permits and transactions for the years 2005 through the first quarter of 2010.

COUNTY OF RIVERSIDE Taxable Transactions For Years 2005 through 2010 (in Thousands)

	<i>Retail Permits</i>	<i>Retail Stores Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2005	831	\$705,491	1,802	\$804,873
2006	1,919	2,159,434	3,768	3,576,700
2007	1,876	2,078,527	3,958	3,478,337
2008	1,920	1,809,673	3,994	2,994,438
2009	2,295	1,484,916	3,693	2,426,746
2010 ⁽¹⁾	2,290	356,134	3,679	549,368

⁽¹⁾ First Quarter only.

Source: California State Board of Equalization.

The table below presents Norco's retail permits and transactions for the years 2005 through the first quarter of 2010.

CITY OF RIVERSIDE Taxable Transactions For Years 2005 through 2010 (in Thousands)

	<i>Retail Permits</i>	<i>Retail Stores Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2005	832	\$764,281	1,635	\$868,104
2006	425	478,807	831	557,095
2007	411	434,197	843	509,334
2008	421	369,338	849	436,753
2009	524	287,864	808	340,697
2010 ⁽¹⁾	509	69,863	792	82,725

⁽¹⁾ First Quarter only.

Source: California State Board of Equalization.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series E Bonds, payment of principal, premium, if any, accreted value and interest on the Series E Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series E Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

APPENDIX G
ACCRETED VALUES TABLE

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY