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



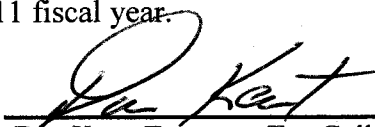
FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
March 3, 2011

SUBJECT: Resolution No. 2011-058 – Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes (Vote on Separately)

RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2011-058 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the Moreno Valley Unified School District (the "District") in a principal amount not to exceed \$29,000,000.

BACKGROUND: Government Code Section 53853 provides that a school district's tax and revenue anticipation notes are to be issued by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over that district. The Riverside County Superintendent of Schools has jurisdiction over the District, therefore the District has requested, by resolution, that the Board of Supervisors issue Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes (the "Notes") on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2010-2011 fiscal year.
(Continued on page two)


Don Kent, Treasurer-Tax Collector

FORM APPROVED COUNTY COUNSEL
BY W.A.A. Gardner 3/2/11
DALE A. GARDNER
DATE
Departmental Concurrence

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

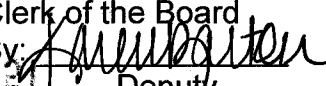
County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Tavaglione and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone and Benoit
Nays: None
Absent: Ashley
Date: April 5, 2011
xc: Treasurer

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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

Prev. Agn. Ref.:

District: 5

Agenda Number:

3.17

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Date: March 3, 2011

From: Treasurer-Tax Collector

Subject: Resolution No. 2011-058

Page 2

Resolution No. 2011-058 authorizes the issuance of Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes in a principal amount not to exceed \$29,000,000. The District has pledged certain of its unrestricted revenues to be received or accrued during fiscal year 2010-2011 for the repayment of the Notes.

When issued, the notes will represent a general obligation of the District. The Notes will not constitute an obligation of the County. No funds of the County are pledged to the repayment of the Notes.

The Office of County Counsel has reviewed Resolution No. 2011-058 and has approved it as to form.

RESOLUTION NO. 2011-058

**RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE
COUNTY PROVIDING FOR THE ISSUANCE OF MORENO VALLEY
UNIFIED SCHOOL DISTRICT 2011 TAX AND REVENUE
ANTICIPATION NOTES AND TAKING RELATED ACTIONS**

TABLE OF CONTENTS

RECITALS	1
Section 1. Recitals	3
Section 2. Authorization of Issuance of Notes: Terms Thereof	3
Section 3. Form of Notes; CUSIP® Numbers; Temporary Notes; Book Entry Only System ...	4
Section 4. Execution of Notes; Authentication	6
Section 5. Note Registration; Transfers.....	7
Section 6. Notes Mutilated, Lost, Destroyed or Stolen	9
Section 7. Preparation of the Notes; Execution of Closing Documents	10
Section 8. Paying Agent	10
Section 9. Deposit of Note Proceeds	12
Section 10. Payment of Notes.....	12
Section 11. Approval of Purchase Agreement.....	14
Section 12. Delivery of Notes.....	14
Section 13. Continuing Disclosure	15
Section 14. Further Actions Authorized	15
Section 15. Books and Accounts	15
Section 16. Unclaimed Moneys.....	16
Section 17. Investment of Note Proceeds.....	16
Section 18. Limited Liability of County	17
Section 19. Benefits Limited to Parties	18
Section 20. Successor Is Deemed Included in All References to Predecessor	18
Section 21. Approval of Actions	18
Section 22. Amendments	19
Section 23. Partial Invalidity; Severability.....	20
Section 24. Governing Law	20

Section 25.	Effective Date	20
Section 26.	Furnishing of Clerk's Certifications	20

EXHIBITS:

EXHIBIT "A"	FORM OF NOTE	A 1
EXHIBIT "B"	FORM OF NOTE PURCHASE AGREEMENT	B 1

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RESOLUTION NO. 2011-058

**RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE
COUNTY PROVIDING FOR THE ISSUANCE OF MORENO VALLEY
UNIFIED SCHOOL DISTRICT 2011 TAX AND REVENUE
ANTICIPATION NOTES AND TAKING RELATED ACTIONS**

WHEREAS, the County of Riverside (“County”) is a political subdivision of the State of California (“State”) organized and operating pursuant to the State Constitution and State laws; and

WHEREAS, the Moreno Valley Unified School District (“District”) is a unified public school district, organized and operating pursuant to State law, located wholly within the County and for which the Riverside County Superintendent of Schools has jurisdiction; and

WHEREAS, pursuant to Section 53850 *et seq.* of the Government Code of the State of California (“Act”) contained in Article 7.6 thereof, entitled “Temporary Borrowing” that provides for temporary borrowing by certain local agencies, on or after the first day of any fiscal year (being July 1 in the case of the District), a school district may borrow money by issuing notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of the school district by the board of supervisors of a county, the county superintendent of which has jurisdiction over the school district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, this Board of Supervisors of the County (“County Board”) has received a Resolution of the Board of Education of the District (“District Board”), being the governing board of the District, dated March 8, 2011, entitled “RESOLUTION OF THE BOARD OF

FORM APPROVED BY COUNTY COUNSELLOR

3/12/11

DATE

BY DALE A. GARDNER

1 EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT AUTHORIZING
2 THE ISSUANCE OF MORENO VALLEY UNIFIED SCHOOL DISTRICT 2011 TAX AND
3 REVENUE ANTICIPATION NOTES, FOR FISCAL YEAR 2010-11; REQUESTING THE
4 RIVERSIDE COUNTY BOARD OF SUPERVISORS TO ISSUE SUCH NOTES;
5 PRESCRIBING TERMS OF SALE; AUTHORIZING PREPARATION, EXECUTION AND
6 DELIVERY OF OFFERING MATERIALS AND INFORMATION; AUTHORIZING
7 EXECUTION OF NECESSARY DOCUMENTS AND AGREEMENTS; MAKING RELATED
8 FINDINGS AND DETERMINATIONS AND TAKING RELATED ACTIONS” (“District
9 Resolution”) which District Resolution requests the borrowing of not exceeding Twenty-Nine
10 Million Dollars (\$29,000,000) at an interest rate not to exceed the maximum rate allowed by law,
11 through the issuance by the County Board of 2011 Tax and Revenue Anticipation Notes
12 (“Notes”), as further designated herein, in the name of the District upon the terms and conditions
13 set out in the District Resolution; and

14 **WHEREAS**, such Notes shall be payable on a date not later than October 13, 2011, and
15 such Notes shall be payable only from the District’s revenue received during, or attributable to,
16 fiscal year 2010-11; and

17 **WHEREAS**, pursuant to Section 53856 of the Act, the District may pledge any taxes,
18 income, revenue, cash receipts or other moneys deposited in inactive or term deposits (but
19 excepting certain moneys encumbered for a special purpose); and the District Resolution
20 specifies that certain unrestricted revenues that will be received by the District for the General
21 Fund of the District during, or attributable to, fiscal year 2010-11 are pledged for the payment of
22 the Notes; and

23 **WHEREAS**, the Notes shall be a general obligation of the District, and to the extent not
24 paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for
25 the payment thereof shall be paid with interest thereon from any other moneys of the District
26 lawfully available therefor, as required by Section 53857 of the Act, and shall not in any way be
27 payable from County moneys; and

28 **WHEREAS**, the County Board has no independent knowledge of but accepts the

1 determination by the District that the \$29,000,000 maximum principal amount of Notes to be
2 issued by the County Board in fiscal year 2010-11, when added to the interest payable thereon,
3 does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes,
4 income, revenue (including but not limited to revenue from state and federal governments), cash
5 receipts and other moneys of the District which will be available for the payment of the Notes
6 and interest thereon, as required by Section 53858 of the Act; and

7 **WHEREAS**, the District has determined and informed the County that the Notes will not
8 be outstanding on a date not later than October 13, 2011, and will not be issued in an amount
9 greater than the maximum anticipated cumulative cash flow deficit/working capital reserve to be
10 financed by the anticipated tax or other revenue sources for the period for which such taxes or
11 other revenues are anticipated and during which such Notes are outstanding, all as provided in
12 Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury; and

13 **WHEREAS**, pursuant to the provisions of State law, including the Act, this County
14 Board desires to take action to provide for the issuance and sale of the Moreno Valley Unified
15 School District 2011 Tax and Revenue Anticipation Notes, as further described herein, in the
16 name of the District; and

17 **WHEREAS**, this County Board desires to make certain determinations and provide
18 certain directives with respect to the Notes.

19
20 **NOW, THEREFORE, THE BOARD OF SUPERVISORS OF RIVERSIDE**
21 **COUNTY HEREBY RESOLVES AS FOLLOWS:**

22
23 **Section 1. Recitals.** All the recitals in this Resolution above are true and correct and
24 this County Board so finds, determines and represents.

25
26 **Section 2. Authorization of Issuance of Notes: Terms Thereof.** The County Board
27 hereby authorizes the issuance, sale and delivery in the name of the District, of an amount not to
28 exceed \$29,000,000 principal amount of Notes under Sections 53850 *et seq.* of the Act,

1 designated "Moreno Valley Unified School District 2011 Tax and Revenue Anticipation
2 Notes"; to be numbered from 1 consecutively upward in order of issuance; to be in the
3 denominations of \$5,000, or integral multiples thereof; to be dated the date of delivery thereof,
4 unless otherwise set forth in the Purchase Agreement as executed and delivered; to mature
5 (without option of prior prepayment), on a date set forth in the Purchase Agreement, as executed
6 and delivered, but in no event later than October 13, 2011, (on a 30-day month/360-day year
7 basis); at maturity and computed on a 30-day month/360-day year basis, at the rate or rates
8 determined at the time of sale thereof, but not in excess of the maximum rate per annum allowed
9 by law. Both the principal of and interest on the Notes shall be payable, only upon surrender
10 thereof, in lawful money of the United States of America at the designated office of the Paying
11 Agent designated herein; provided, however, that no interest shall be payable for any period after
12 the stated maturity of any Note during which the Owner of such Note fails to present such Note
13 for payment.

14
15 **Section 3. Form of Notes; CUSIP® Numbers; Temporary Notes; Book Entry**

16 **Only System.** The Notes shall be issued in fully registered form, without coupons, and shall be
17 substantially in the form and substance set forth in Exhibit "A" attached hereto and by reference
18 incorporated herein, the blanks in such form to be completed with appropriate words and figures.

19
20 "CUSIP®" identification numbers shall be imprinted on the Notes, but such numbers shall
21 not constitute a part of the contract evidenced by the Notes and any error or omission with
22 respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and
23 pay for the Notes. In addition, failure on the part of the County to use such CUSIP® numbers in
24 any notice to registered owners of the Notes shall not constitute an event of default or any
25 violation of the contract with such registered owners and shall not impair the effectiveness of any
26 such notice.

27
28 The Notes may be initially issued in temporary form exchangeable for definitive Notes

1 when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall
2 be of such denominations as may be determined by the County, and may contain such reference
3 to any of the provisions of this Resolution as may be appropriate. Every temporary Note shall be
4 executed by the County upon the same conditions and in substantially the same manner as the
5 definitive Notes. If the County issues temporary Notes it will execute and furnish definitive
6 Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in
7 exchange therefor at the principal office of the Paying Agent and the Paying Agent shall deliver
8 in exchange for such temporary Notes an equal aggregate Principal Amount of definitive Notes
9 of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the
10 same benefits pursuant to this Resolution as definitive Notes executed and delivered hereunder.
11

12 Except as provided below, the owner of all of the Notes shall be The Depository Trust
13 Company, New York, New York ("DTC"), and the Notes shall be registered in the name of Cede
14 & Co., as nominee for DTC. The Notes shall be initially executed and delivered in the form of a
15 single fully registered Note in the full aggregate principal amount of the Notes. The County may
16 treat DTC (or its nominee) as the sole and exclusive owner of the Notes registered in its name for
17 all purposes of this Resolution, and the County shall not be affected by any notice to the
18 contrary. The County shall not have any responsibility or obligation to any participant of DTC
19 ("Participant"), any person claiming a beneficial ownership interest in the Notes under or
20 through DTC or a Participant, or any other person which is not shown on the register of the
21 County as being an owner, with respect to the accuracy of any records maintained by DTC or
22 any Participant or the payment by DTC or any Participant by DTC or any Participant of any
23 amount in respect of the principal or interest with respect to the Notes. The Paying Agent shall
24 pay all principal and interest with respect to the Notes only to DTC, and all such payments shall
25 be valid and effective to fully satisfy and discharge the County's obligations with respect to the
26 principal and interest with respect to the Notes to the extent of the sum or sums so paid. Except
27 under the conditions noted below, no person other than DTC shall receive a Note. Upon delivery
28 by DTC to the County of written notice to the effect that DTC has determined to substitute a new

1 nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such
2 new nominee of DTC.
3

4 If the County determines that it is in the best interest of the beneficial owners that they be
5 able to obtain Notes and delivers a written certificate to DTC to that effect, DTC shall notify the
6 Participants of the availability through DTC of Notes. In such event, the County shall issue,
7 transfer and exchange Notes as requested by DTC and any other owners in appropriate amounts.
8 DTC may determine to discontinue providing its services with respect to the Notes at any time
9 by giving notice to the County and discharging its responsibilities with respect thereto under
10 applicable law. Under such circumstances (if there is no successor securities depository), the
11 County shall be obligated to deliver Notes as described in this Resolution. Whenever DTC
12 requests the County to do so, the County will cooperate with DTC in taking appropriate action
13 after reasonable notice to (a) make available one or more separate Notes evidencing the Notes to
14 any DTC Participant having Notes credited to its DTC account or (b) arrange for another
15 securities depository to maintain custody of certificates evidencing the Notes.
16

17 Notwithstanding any other provision of this Resolution to the contrary, so long as any
18 Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to
19 the principal and interest with respect to such Note and all notices with respect to such Note shall
20 be made and given, respectively, to DTC as provided in the representation letter delivered on the
21 date of issuance of the Notes.
22

23 **Section 4. Execution of Notes; Authentication.** The Notes shall be executed by the
24 manual or facsimile signature of the Chairman of the County Board, the manual or facsimile
25 signature of the Treasurer or any designated deputy, and countersigned by the manual or
26 facsimile signature of the Clerk of the County Board or any designated deputy. The facsimile
27 signatures of the Chairman, Treasurer and the Clerk of the County Board (or their designees)
28 may be printed, lithographed, engraved, or otherwise mechanically reproduced.

1
2 In case any of such officers who shall have signed or attested any of the Notes shall cease
3 to be such officers before the Notes so signed or attested shall have been authenticated or
4 delivered by the Paying Agent, such Notes may nevertheless be authenticated, delivered and
5 issued and, upon such authentication, delivery and issue, shall be as binding upon the County as
6 though those who signed and attested the same had continued to be such officers, and also any
7 Notes may be signed and attested on behalf of the County by such persons as at the actual date of
8 execution of such Notes shall be the proper officers of the County although at the nominal date
9 of such Notes any such person shall not have been such officer of the County.
10

11 No Note shall be valid or obligatory for any purpose or shall be entitled to any security or
12 benefit under this Resolution unless and until the certificate of authentication printed on the Note
13 is signed by the Paying Agent (as identified herein) as authenticating agent for the Notes.
14 Authentication by the Paying Agent shall be conclusive evidence that the Notes so authenticated
15 have been duly issued, signed and delivered under this Resolution and is entitled to the security
16 and benefit of this Resolution.
17

18 **Section 5. Note Registration; Transfers.** As hereinafter provided, the Notes shall
19 be delivered in a form and with such terms as will permit them to be in book-entry only form,
20 deposited with DTC. If the book-entry only system is no longer in effect, the District will cause
21 the Paying Agent to maintain and keep at its principal corporate trust office all books and records
22 necessary for the registration, exchange and transfer of certificated Notes as provided in this
23 Section (the Note Register), which shall be open to inspection by the District or the County upon
24 reasonable notice. While the book-entry only system is in effect, such books need not be kept, as
25 the Notes will be represented by one Note registered in the name of Cede & Co., as nominee for
26 DTC.
27

28 Subject to the provisions of Section 3 hereof, the person in whose name a Note is

1 registered on the Note Register shall be regarded as the absolute Owner of that Note for all
2 purposes of this Resolution. Payment of, or on account of, the principal of and interest on any
3 Note shall be made only to or upon the order of the Owner thereof; neither the County nor the
4 Paying Agent shall be affected by any notice to the contrary, but the registration may be changed
5 as provided in this Section. All such payments shall be valid and effectual to satisfy and
6 discharge the District's liability upon the Notes, including interest, to the extent of the amount or
7 amounts so paid.

8
9 Any Note may be exchanged for Notes of any other authorized denomination upon
10 presentation and surrender at the principal corporate trust office of the Paying Agent, together
11 with a request for exchange signed by the Owner or by a person legally empowered to do so in a
12 form satisfactory to the Note Registrar. Any Note may, in accordance with its terms (but only if
13 the County determines no longer to maintain the book-entry only status of the Notes, DTC
14 determines to discontinue providing such services and no successor securities depository is
15 named or DTC requests the County to deliver certificated securities to particular DTC
16 Participants), be transferred, upon the books required to be kept pursuant to the provisions of this
17 Section, by the Owner, in person or by his duly authorized attorney, upon surrender of such Note
18 for cancellation at the office of the Paying Agent, accompanied by delivery of a written
19 instrument of transfer in a form approved by the Paying Agent, duly executed.

20
21 If manual signatures on behalf of the County or District are required in connection with
22 an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Notes only
23 after the new Notes are signed by the authorized officers of the County. In all cases of
24 exchanged or transferred Notes, the County shall sign and the Paying Agent shall authenticate
25 and deliver Notes in accordance with the provisions of this Resolution. All fees and costs of
26 transfer shall be paid by the requesting party. Those charges may be required to be paid before
27 the procedure is begun for the exchange or transfer. All Notes issued upon any exchange or
28 transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the

1 same security and benefit under this Resolution as the Notes surrendered upon that exchange or
2 transfer.

3
4 Any Note surrendered to the Paying Agent for payment, retirement, exchange,
5 replacement or transfer shall be canceled by the Paying Agent. The County and/or District may
6 at any time deliver to the Paying Agent for cancellation any previously authenticated and
7 delivered Notes that the County and/or District may have acquired in any manner whatsoever,
8 and those Notes shall be promptly canceled by the Paying Agent. Written reports of the
9 surrender and cancellation of Notes shall be made to the District by the Paying Agent and
10 updated annually. The canceled Notes shall be destroyed by the Paying Agent in accordance
11 with its procedures as confirmed in writing to the District.

12
13 **Section 6. Notes Mutilated, Lost, Destroyed or Stolen.** If any Note shall become
14 mutilated the Paying Agent, at the expense of the registered owner of said Note, shall execute
15 and deliver a new Note of like maturity and principal amount in exchange and substitution for
16 the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated.
17 Every mutilated Note so surrendered to the Paying Agent shall be canceled by it and delivered
18 to, or upon the order of, the Paying Agent. If any Note shall be lost, destroyed or stolen, evidence
19 of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be
20 satisfactory to the Paying Agent and indemnity satisfactory to it shall be given, the Paying
21 Agent, at the expense of the registered owner, shall execute and deliver a new Note of like
22 maturity and principal amount in lieu of and in substitution for the Note so lost, destroyed or
23 stolen. The Paying Agent may require payment of a sum not exceeding the actual cost of
24 preparing each new Note issued under this Section 6 and of the expenses which may be incurred
25 by the Paying Agent in the premises. Any Note issued under the provisions of this Section 6 in
26 lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional
27 contractual obligation on the part of the District whether or not the Note so alleged to be lost,
28 destroyed or stolen be at any time enforceable by anyone, and shall be equally and

1 proportionately entitled to the benefits of this Resolution with all other Notes issued pursuant to
2 this Resolution. This Section 6 will not be in effect so long as DTC book entry is utilized.
3

4 **Section 7. Preparation of the Notes; Execution of Closing Documents.** Bowie,
5 Arneson, Wiles & Giannone, as Bond Counsel to the District, is directed to cause suitable Notes
6 to be prepared showing on their face that the same bear interest at the rate aforesaid, and to cause
7 the blank spaces therein to be filled in to comply with the provisions of this Resolution in
8 accordance with the identified purchaser of the Notes to be delivered when so executed to DTC
9 on behalf of the identified purchaser therefor upon the receipt of the purchase price by the
10 Treasurer on behalf of the District.
11

12 The Treasurer, or any other officer of the County is further authorized and directed to
13 make, execute and deliver to the purchaser or purchasers of the Notes (a) a certificate in the form
14 customarily required by purchasers of bonds of public corporations generally, certifying to the
15 genuineness and due execution of the Notes, and (b) a receipt in similar form evidencing the
16 payment of the purchase price of the Notes which receipt shall be conclusive evidence that said
17 purchase price of the Notes has been paid and has been received on behalf of the District. Any
18 purchaser or subsequent owner or holder of the Notes is hereby authorized to rely upon and shall
19 be justified in relying upon any such certificate or receipt with respect to the Notes. Such
20 officers and any other officers of the District or of the County are hereby authorized to execute
21 any and all other documents required to consummate the sale and delivery of the Notes.
22

23 **Section 8. Paying Agent.**

24 (a) The County hereby consents to the appointment by the District of U.S. Bank
25 National Association, as the initial authenticating agent, note registrar, transfer agent and paying
26 agent (collectively, "Paying Agent") for the Notes. All fees and expenses incurred for services
27 of the Paying Agent shall be the sole responsibility of the District, subject to the terms hereof.
28 The Paying Agent may also function as the dissemination agent, if so appointed by the District,

1 and if so acting, shall perform all duties and obligations as set forth in the Continuing Disclosure
2 Certificate, as described in the District Resolution and herein.

3 (b) The Paying Agent may at any time resign and be discharged of the duties and
4 obligations created by this Resolution by giving at least 60 days' written notice to the District.
5 The Paying Agent may be removed at any time by an instrument filed with such Paying Agent
6 and signed by the District. A successor Paying Agent shall be appointed by the District, and
7 shall be a bank or trust company organized under the laws of the state of California, of any state
8 or the United States, a national banking association or any other financial institution, having
9 capital stock and surplus aggregating to at least \$50,000,000, and willing and able to accept the
10 office on reasonable and customary terms and authorized by law to perform all the duties
11 imposed upon it by this Resolution. Such Paying Agent shall signify the acceptance of its duties
12 and obligations hereunder by executing and delivering to the District a written acceptance
13 thereof. Resignation or removal of the Paying Agent shall be effective only upon appointment
14 and acceptance of a successor Paying Agent.

15 (c) In the event of the resignation or removal of the Paying Agent, such Paying Agent
16 shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor. The
17 District shall promptly cause to be mailed, at its expense, the name and principal corporate trust
18 office address of the Paying Agent appointed to replace any resigned or removed Paying Agent
19 to the Informational Services and to DTC.

20 (d) Any company or association into which the Paying Agent may be merged or
21 converted or with which it may be consolidated or any company resulting from any merger,
22 conversion or consolidation to which it shall be a party or any company or association to which
23 the Paying Agent may sell or transfer all or substantially all of its corporate trust business,
24 provided that such company or association shall be eligible under this Section 8, shall be the
25 successor to the Paying Agent and vested with all of the title to the trust estate and all of the
26 trust, powers, discretions, immunities, privileges and all other matters as was its predecessor,
27 without the execution or filing of any paper or further act, anything herein to the contrary
28 notwithstanding. All costs associated with the Paying Agent's merger or consolidation with

1 another bank or trust company shall be paid by the successor Paying Agent. No expense
2 resulting from such merger or consolidation shall be billed to the District.

3 (e) To the extent permitted by law, the Paying Agent may become the Owner of any
4 of the Notes.

5 (f) All documents received by the Paying Agent under the provisions of this
6 Resolution and the District Resolution shall be retained in its possession at the principal
7 corporate office of the Paying Agent and shall be subject during business hours and upon
8 reasonable notice to the inspection of the District, the County or the Owners and their agents and
9 representatives duly authorized in writing.

10
11 **Section 9. Deposit of Note Proceeds.** The moneys so borrowed shall be deposited in
12 the General Fund of the District.

13
14 **Section 10. Payment of Notes.**

15 (a) Source of Payment. The principal amount of the Notes, together with the interest
16 thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are
17 received or credited by the District during, or are attributable to, fiscal year 2010-11 and which
18 are available therefor, and are not payable from moneys or funds of the County. The Notes shall
19 be a general obligation of the District, and to the extent the Notes are not paid from the Pledged
20 Revenues (defined below), the Notes shall be paid with interest thereon from any other moneys
21 of the District lawfully available therefor, as provided in the District Resolution and by law.
22 Notwithstanding anything to the contrary contained herein or in any document mentioned herein
23 or related to the Notes, the County shall not have any monetary liability hereunder or by reason
24 hereof or in connection with the transactions contemplated hereby and the Notes shall be payable
25 solely from the moneys of the District available therefor as set forth in this Section and in
26 Section 11 of the District Resolution. Further, the County shall have no responsibility for or
27 liability as a result of the use of the proceeds of the sale of the Notes.

28 (b) Pledged Revenues. Unless otherwise provided for in the Note, as security for the

1 payment of the principal of and interest on the Notes, as provided in the District Resolution, the
2 District has pledged unrestricted revenues received in or attributable to fiscal year 2010-11 in
3 such amounts and in such months as shall be set forth in the Purchase Agreement for the Notes
4 as shall be sufficient to pay principal of and interest on the Notes through maturity (such pledged
5 amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues"
6 shall mean taxes, income, revenue, cash receipts, and other money of the District as provided in
7 Section 53856 of the Act, which are intended as receipts for the General Fund of the District and
8 which are generally available for the payment of current expenses and other obligations of the
9 District.

10 The principal of the Notes and the interest thereon shall be a first lien and charge against
11 and shall be payable from the first moneys received by the District from such Pledged Revenues
12 as provided by law.

13 In the event that there are insufficient unrestricted revenues received by the District to
14 permit the deposit into the Repayment Fund (as defined below) of the full amount of Pledged
15 Revenues to be deposited from unrestricted revenues in any month, then the amount of such
16 deficiency shall be satisfied and made up from any other moneys of the District lawfully
17 available for the repayment of the Notes and the interest thereon.

18 (c) Deposit of Pledged Revenues. The Pledged Revenues shall be held by the Paying
19 Agent (in accordance with the provisions of the District Resolution) in a special fund designated
20 as the "Moreno Valley Unified School District, Riverside County, State of California, 2011 Tax
21 and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and
22 applied as directed in this Resolution. Any moneys accounted for in the Repayment Fund shall
23 be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid
24 or until provision has been made for the payment of the Notes at maturity with interest to
25 maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the
26 Repayment Fund is created.

27 (d) Disbursement and Investment of Moneys in Repayment Fund. From the date as
28 shall be set forth in the Purchase Agreement, as executed and delivered, all Pledged Revenues

1 shall, when received, be deposited in the Repayment Fund. After such date as the amount of
2 Pledged Revenues deposited in the Repayment Fund shall be sufficient to pay in full the
3 principal of and interest on the Notes, when due, any moneys in excess of such amount
4 remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the
5 District upon the request of the District. On the maturity date of the Notes, the moneys in the
6 Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the
7 Notes. Moneys in the Repayment Fund shall be invested in accordance with the provisions of
8 the District Resolution.

9
10 **Section 11. Approval of Purchase Agreement.** The Notes shall be sold by
11 negotiated sale. The form of Purchase Agreement for the Notes ("Purchase Agreement"),
12 substantially in the form attached hereto as Exhibit "B" and incorporated herein by this reference
13 is hereby approved. The Treasurer, or the Treasurer's designee(s), are hereby authorized to
14 execute and deliver the Purchase Agreement on behalf of the County, and the Treasurer is hereby
15 authorized and requested to acknowledge such Purchase Agreement, if necessary, such approval
16 to be conclusively evidenced by his or her execution and delivery thereof. The Treasurer, or the
17 Treasurer's designee(s), working in conjunction with the District's Superintendent or Designated
18 Officers (as defined in the District Resolution), are hereby further authorized to determine the
19 maximum principal amount of Notes to be specified in the Purchase Agreement, up to
20 \$29,000,000 and to enter into and execute the Purchase Agreement with the Underwriter named
21 therein (the "Underwriter") upon the terms and conditions set forth in the District Resolution and
22 this Resolution.

23
24 **Section 12. Delivery of Notes.** The proper officers of the County Board are hereby
25 authorized and directed to deliver the Executed Notes to the Underwriter or upon the order of the
26 Underwriter. All actions heretofore taken by the officers and agents of the County with respect
27 to the sale and issuance of the Notes are hereby approved, confirmed and ratified, and the
28 officers of the County are hereby authorized and directed, for and in the name and on behalf of

1 the County, to do any and all things and take any and all actions and execute and deliver any and
2 all certificates, agreements and other documents which they, or any of them, may deem
3 necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in
4 accordance with the District Resolution and this Resolution.

5
6 **Section 13. Continuing Disclosure.** "Continuing Disclosure Certificate" shall mean
7 that certain Continuing Disclosure Certificate provided by the District, as originally executed and
8 as it may be amended from time to time in accordance with the terms thereof.

9
10 The District has covenanted and agreed that it will comply with and carry out all of the
11 terms and conditions of the Continuing Disclosure Certificate (as defined above), which shall be
12 entered into by the District and delivered at the time of delivery of the Notes. Notwithstanding
13 any other provisions of this Resolution, failure of the District to comply with the Continuing
14 Disclosure Certificate shall not be considered a default of the District hereunder or under the
15 Notes; however, any underwriter or any holder or beneficial Owner of the Notes may take such
16 actions as may be necessary and appropriate to compel performance, including seeking mandate
17 or specific performance by court order.

18
19 **Section 14. Further Actions Authorized.** It is hereby covenanted that the County,
20 and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and
21 will take any additional proceedings necessary to be taken by them, for the enforcement of the
22 revenues pledged under the District Resolution in accordance with the law and for carrying out
23 the provisions of the District Resolution and of this Resolution.

24
25 **Section 15. Books and Accounts.** The Treasurer and the Paying Agent are requested
26 to keep, or cause to be kept, proper books of record and accounts to record (i) all deposits,
27 expenditures and investment earnings on the Repayment Fund and any and all accounts or
28 subaccounts thereof, and (ii) transfers of funds for the payment of principal or interest on the

1 Notes. The Treasurer shall provide periodic written statements of such funds and/or accounts to
2 the District. Notwithstanding the foregoing sentence, the Treasurer shall not be required to
3 provide reporting for investments of funds where (i) such investment(s) is/are outside
4 investment(s) in LAIF, the County Pool investments or other investments under the control of
5 the Treasurer, (ii) such investment(s) require the investment provider to provide periodic written
6 reports to the District, and (iii) such investments are permitted under the provisions of State law,
7 the District Resolution and this Resolution. Such books of record and accounts shall, upon
8 reasonable notice, during regular business hours be subject to the inspection of the District, the
9 Paying Agent (if other than the Treasurer) and the Owners of not less than ten percent (10%) of
10 the principal amount of the Notes then outstanding, or their representatives authorized in writing.
11

12 **Section 16. Unclaimed Moneys.** Notwithstanding any of the foregoing provisions of
13 this Resolution and subject to State law, any moneys held by the Paying Agent for the payment
14 of the principal of, redemption premium, if any, or interest on the Notes remaining unclaimed for
15 one year after the corresponding maturity or redemption date for such Notes shall be transferred
16 by the Paying Agent to the Treasurer, with any and all interest accrued thereon, for deposit into
17 the Repayment Fund. Notwithstanding any other provisions of this Resolution, any moneys held
18 in any fund created pursuant to this Resolution, or by the Paying Agent in trust, for the payment
19 of the principal or interest on Notes and remaining unclaimed for one year after the principal of
20 all of the Notes have become due and payable (whether by maturity or upon prior redemption)
21 shall be, after payment in full of the Notes, transferred to the General Fund of the District to be
22 applied in accordance with law; provided, however, that the Paying Agent before making such
23 transfer, shall cause notice to be mailed to the Owners of all Notes that have not been paid, by
24 first-class mail at the addresses on the Note Register, postage prepaid, not less than 90 days prior
25 to the date of such transfer.
26

27 **Section 17. Investment of Note Proceeds.** Notwithstanding anything to the contrary
28 contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the

1 event and to the extent sufficient Pledged Revenues of the District and other legally available
2 revenues are not deposited into the Repayment Fund. In addition to investments in the
3 Treasurer's Pooled Investment Fund, pursuant to Section 53601(1) of the Government Code of
4 the State of California, the following are hereby designated as additional authorized investments
5 for the proceeds of the Notes: (i) a guaranteed investment contract with a financial institution or
6 insurance company which has or its guarantor has at the date of execution thereof one or more
7 outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying
8 ability rated not lower than the second highest rating category (without regard to subcategories)
9 by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the
10 Superintendent or the Business Manager of the District shall execute a certificate of indemnity
11 holding the Treasurer and the County, its officers, employees and servants harmless and
12 indemnifying them from any costs, liabilities, claims or damages, including but not limited to
13 attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or,
14 alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including
15 but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and
16 servants, caused by or arising from the investment of the funds in such an instrument); or (ii) the
17 Local Agency Investment Fund (LAIF) administered by the State of California.

18
19 Note proceeds shall be invested as directed by the District. To the extent that moneys
20 invested or held by the County are subject to arbitrage rebate, neither the County nor any officer
21 or employee of the County shall assume hereunder or under the provisions of any rebate
22 certificate any duty or obligation to make the actual calculations of arbitrage rebate liability of
23 the District, or to pay any such rebate or any penalties in regard thereto if the District
24 miscalculates or fails to pay or cause such rebate or such penalties to be paid.

25
26 **Section 18. Limited Liability of County.** Notwithstanding anything to the contrary
27 contained herein, in the Notes or in any other document mentioned herein or used in connection
28 herewith, the County, County Board, officers, employees and agents shall have no responsibility

1 with respect to the Preliminary Official Statement or the Official Statement, or any of the
2 information contained therein, or by reason thereof. Furthermore, the County, County Board,
3 officers, employees and agents hereby disclaim any responsibility under Rule 15c2-12 of the
4 Securities and Exchange Commission (the "Rule") with respect to the Notes because the County
5 is not an "Obligated Person" pursuant to the Rule.
6

7 **Section 19. Benefits Limited to Parties.** Nothing in this Resolution, express or
8 implied, is intended to give to any person other than the District, the Paying Agent, the County
9 and the Owners of the Notes, any right, remedy or claim under or by reason of this Resolution.
10 Any covenants, stipulations, promises or agreements in this Resolution contained by and on
11 behalf of the District are for the sole and exclusive benefit of the District, the County, the Paying
12 Agent and the Owners.
13

14 **Section 20. Successor Is Deemed Included in All References to Predecessor.**
15 Whenever in this Resolution any of the District, the County or the Paying Agent is named or
16 referred to, such reference shall be deemed to include the successors or assigns thereof, and all
17 the terms and conditions in this Resolution contained by or on behalf of the District or the Paying
18 Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether
19 so expressed or not.
20

21 **Section 21. Approval of Actions.** Officers of the Board and County officials and
22 staff, including the Treasurer or the Treasurer's designee, are hereby authorized and directed,
23 jointly and severally, to do any and all things and to execute and deliver any and all documents
24 which they may deem necessary or advisable in order to proceed with the issuance, sale and
25 delivery of the Notes and otherwise carry out, give effect to and comply with the terms and intent
26 of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby
27 ratified, confirmed and approved.
28

1 **Section 22. Amendments.** The County may from time to time, and at any time,
2 without notice to or consent of any of the Owners of the Notes, by action of the County Board,
3 amend the provisions of this Resolution for any of the following reasons:

4 (a) to cure any ambiguity, to correct or supplement any provision herein which may
5 be inconsistent with any other provision herein or therein, or to make any other provision with
6 respect to matters or questions arising under this Resolution, provided that such action shall not
7 adversely affect the interests of the Note Owners;

8 (b) to add to the covenants and agreements of and the limitations and the restrictions
9 upon the District or the County contained in this Resolution which are not contrary to or
10 inconsistent with the District Resolution or this Resolution as theretofore in effect; and/or

11 (c) to modify, alter, amend or supplement this Resolution in any other respect which
12 is not materially adverse to the Note Owners.

13
14 In the event of any such amendment, the County shall promptly provide the District and
15 the Paying Agent with copies of such amendment and the action of the County Board approving
16 such amendment.

17
18 No such amendment shall: (i) extend the fixed maturity of any Note, reduce the amount
19 of principal thereof or the rate of interest thereon or extend the time of payment thereof, without
20 the consent of the Owner of each Note so affected, or (ii) modify or amend this Section without
21 the consent of the Owners of all of the Notes then outstanding.

22
23 Upon the adoption of any amendment pursuant to this Section, this Resolution shall be
24 deemed to be modified and amended in accordance therewith, and the respective rights, duties
25 and obligations under the Resolution, of the District, the County, the Paying Agent and all Note
26 Owners shall thereafter be determined, exercised and enforced hereunder subject in all respects
27 to such modification and amendment, and all the terms and conditions of any such amendment
28 shall be deemed to be part of the terms and conditions of this Resolution for any and all

1 purposes.

2
3 The provisions of this Section shall not prevent any Note Owner from accepting any
4 modification or amendment as to the particular Notes held by such Owner.

5
6 **Section 23. Partial Invalidity; Severability.** If any one or more of the covenants or
7 agreements, or portions thereof, provided in this Resolution to be performed should be contrary
8 to law, then such covenant or covenants, such agreement or agreements, or such portions thereof,
9 shall be null and void and shall be deemed separable from the remaining covenants and
10 agreement or portions thereof and shall in no way affect the validity of this Resolution or of the
11 Notes.

12
13 **Section 24. Governing Law.** This Resolution shall be construed under, and governed
14 in accordance with, the laws of the State of California.

15
16 **Section 25. Effective Date.** This resolution shall take effect from and after its
17 adoption.

18
19 **Section 26. Furnishing of Clerk's Certifications.** The Clerk of the Board is hereby
20 authorized to furnish up to three (3) certified copies of this Resolution to Bowie, Arneson, Wiles
21 & Giannone, District Bond Counsel, at or prior to closing.

22
23
24 [Remainder of the page is blank]

25
26
27 157015.4

1 The foregoing Resolution was on the 5th of April, 2011, adopted by the Board
2 of Supervisors of the County of Riverside.

3
4
5 ROLL CALL:

6 Ayes: Buster, Tavaglione, Stone, and Benoit
7 Nays: None
8 Absent: Ashley

9 The foregoing is certified to be a true copy of a resolution duly
10 adopted by said Board of Supervisors on the date therein set forth.

11 KECIA HARPER-IHEM, Clerk of said Board

12 By: _____
13 Deputy

EXHIBIT "A"
FORM OF NOTE

STATE OF CALIFORNIA
REGISTERED
NO.

COUNTY OF RIVERSIDE
REGISTERED
§

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2011 TAX AND REVENUE ANTICIPATION NOTE
(Riverside County, California)

INTEREST RATE:	NOTE DATE:	MATURITY DATE:	CUSIP®:
_____ %	_____, 2011	_____, 2011	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

FOR VALUE RECEIVED, the Moreno Valley Unified School District (the "District"), Riverside County, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assignee, at the office of U.S. Bank National Association, as paying agent (the "Paying Agent") in Los Angeles, California, the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date set forth above, together with interest thereon at the Rate of Interest per annum set forth above, computed on a 30-day month/360-day year basis, in like lawful money of the United States of America from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$_____) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a Resolution of the Board of Supervisors of Riverside County ("County") duly passed and adopted on _____, 2011 (the "Resolution") and a Resolution of the Board of Education of the District duly passed and adopted on March 8, 2011 under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time,

form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the District during, or are attributable to, fiscal year 2010-11. As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to _____ percent (___%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending _____, 20__; and an amount equal to _____ percent (___%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending _____, 20__; plus an amount sufficient to pay interest on the Notes and any deficiency in the amount required to be deposited during any prior month, from the unrestricted revenues of the District to be received in the month ending _____, 20__ (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor. The Notes are general obligations of the District and do not represent a debt or obligation of the County.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the County, the District nor the Paying Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, the County of Riverside, California, has caused this Moreno Valley Unified School District, Riverside County, State of California, 2011 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by facsimile signature and countersigned by the Treasurer and Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this ___ day of _____, 2011.

[SEAL]

RIVERSIDE COUNTY, CALIFORNIA

-EXHIBIT-


By: _____
Chairperson, Board of Supervisors

-EXHIBIT-

By: _____
Clerk of the Board of Supervisors

COUNTERSIGNED:

-EXHIBIT-

By:  _____
Treasurer and Tax Collector

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes described in the County Resolution referred to herein.

Date of Registration and Authentication: _____

U.S. BANK NATIONAL ASSOCIATION, Paying Agent, as authenticating agent

-EXHIBIT-

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

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

(print/type name, address, zip code, tax identification or Social Security number of assignee) the within Note and do(es) irrevocably constitute and appoint _____ attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Date: _____

-EXHIBIT-

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or any change whatever.

Signature Guaranteed:

-EXHIBIT-

Signature must be guaranteed by an eligible guarantor institution.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede and Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

[FORM OF BOND COUNSEL OPINION]

[Text of Opinion]

[FORM OF SPECIAL TAX COUNSEL OPINION]

[Text of Opinion]

EXHIBIT "B"

FORM OF NOTE PURCHASE AGREEMENT

\$ _____
MORENO VALLEY UNIFIED SCHOOL DISTRICT
2011 Tax and Revenue Anticipation Notes
(Riverside County, California)

NOTE PURCHASE AGREEMENT

March __, 2011

Board of Supervisors
Riverside County
4080 Lemon Street, 4th Floor
Riverside, CA 92502

Board of Education
Moreno Valley Unified School District
25634 Alessandro Boulevard
Moreno Valley, CA 92553

Ladies and Gentlemen:

The undersigned, Stone & Youngberg LLC (the "Underwriter"), acting on behalf of itself, offer to enter into this agreement with Riverside County, California (the "County"), and the Moreno Valley 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 acceptance of the Note Purchase Agreement by the County and the District and written delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., Pacific Time, on the day next proceeding the day of Closing, as hereinafter defined.

The County and the District hereby acknowledge and agree that (a) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction among the County, the District and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and are not acting as the agent or fiduciary of the County or the District, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the County or the District with respect to the offering and sale of the Notes contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the County or the District on other matters) and the Underwriter has no obligation to the County or the District with respect to the offering and sale of the Notes contemplated hereby except the obligations expressly set forth in this Note Purchase Agreement, and (d) the County and the District have consulted their own legal, financial and other advisors to the extent they have deemed appropriate, in connection with the Notes and the matters contemplated by this Note Purchase Agreement.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$_____ aggregate principal amount of the District's 2011 Tax and Revenue Anticipation Notes (the "Notes") issued in the name of the District by the County; provided, that during the period from the execution of the Note Purchase Agreement to and including the Closing date thereof, the District may retain the right to reduce the aggregate principal amount of the Notes in order to comply with applicable federal tax law once determined.

The Notes shall be dated the date of delivery thereof, which date is anticipated to be _____, 2011, shall bear interest at a rate of ____% per annum (payable at maturity), and shall mature on _____, 2011. The purchase price to be paid by the Underwriter for the Notes shall include a premium offered by the Underwriter for purchase of the Notes of \$_____, less an Underwriter's discount of \$_____, making the net purchase price for the Notes \$_____. The reoffering price of the Notes is _____%, to yield ____%.

Pursuant to the State of California (the "State") Constitution and laws of the State, specifically section 53850 *et seq.* of the California Government Code (the "Act"), the District will pledge, for the payment of the Notes and the interest thereon, certain unrestricted moneys to be received by the District not later than in the months of August 2011 and September 2011 due to State deferrals, but attributable to Fiscal Year 2010-11.

2. The Notes. The Notes shall be described in, and shall be issued and secured pursuant to the provisions of the Resolution of the County adopted March __, 2011 (the "County Resolution"), at the request of the District pursuant to a resolution adopted March 8, 2011 (the "District Resolution") (collectively, the "Resolutions"), and the Act.

The Notes shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Resolutions. The Notes 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. The Notes shall initially be in authorized denominations of five thousand dollars (\$5,000) principal amount each or any integral multiple thereof.

U.S. Bank National Association ("Paying Agent") shall serve as the initial authenticating agent, note registrar, transfer agent, and paying agent for the Notes pursuant to a paying agent agreement with respect to the Notes, between the District and the Paying Agent.

3. Use of Documents. The District hereby approves and authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Note Purchase Agreement and an official statement, dated March __, 2011, in a form jointly approved by the District and the Underwriter (which, together with all appendices thereto and with such changes therein and supplements thereto consented to by the Underwriter, is herein called the "Preliminary Official Statement"), 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 transaction contemplated by this Note Purchase Agreement.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of all the Notes.

The Underwriter hereby represents to the District: (i) that as of the date of sale, all of the Notes purchased were expected to be reoffered in a bona fide public offering; (ii) that as of the date of the certification, all of the Notes purchased had actually been offered to the general public at the offering price shown on the cover page of a final official statement relating to the Notes, dated the date hereof ("Official Statement"); and (iii) that the price given in Official Statement is the maximum initial bona fide offering price at which a substantial amount (at least 10%) of the Notes purchased was sold, or reasonably expected to be sold, to the general public.

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 Notes.

5. Delivery of Official Statement. Prior to the closing, the District shall deliver to the Underwriter such reasonable number of the Official Statement (as supplemented and amended from time to time) as the Underwriter shall reasonably request as necessary to comply with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The District agrees to deliver the Official Statement within seven (7) business days after the execution thereof. The Underwriter will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

The Underwriter agrees that prior to the time the Official Statement is available, the Underwriter will send to any potential purchaser of the Notes, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The Underwriter hereby represents that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and deliver a copy of the Official Statement to a national repository on or before the date of the Closing (hereinafter defined), and that it will otherwise comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, including, without limitation, MSRB Rules G-32 and G-36 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

6. Closing. At 8:00 A.M., Pacific Time, on March __, 2011, or such other time or such other date as shall have been mutually agreed upon by the District and the Underwriter (the "Closing"), the District will deliver to the Underwriter, through the facilities of the Depository Trust Company in New York, New York, or at such other place as the District and the Underwriter may mutually agree upon, the Notes in definitive form, duly executed, together with other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County on behalf of the District. The Notes will be initially issued in the form of a separate single fully registered note. Upon initial issuance, the ownership of such Notes shall be registered in the registration books kept at the County in the name of Cede & Co., as the nominee of the Depository Trust Company.

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

(a) The County is a political subdivision duly organized and validly existing under the laws of the State of California (the "State"), with the power to issue the Notes pursuant to the Act.

(b) At or prior to the Closing, (i) the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the County has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the County Resolution, and the County has full legal right, power and authority to issue and deliver the Notes to the Underwriter in the name of the District and the County has full legal right, power and authority to perform its obligations under each such document or instrument, and to carry out and effectuate the transaction contemplated by this Note Purchase Agreement and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Note, the Resolutions and this Note Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the County; and, (v) the County has authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(c) No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any person, organization, court or governmental agency or public body whatsoever which has not already been obtained or secured is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky and or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(d) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the Resolutions and the Notes, and compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or a default under, the Constitution of the State or any other 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) Except as disclosed in the Official Statement, to my knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or threatened against the Board which:

(i) affects the existence of the Board or in any way challenges the respective powers of the several offices or the titles of the officials of the Board to such offices,

(ii) seeks to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues of the District pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contests or affects the validity or enforceability of the Notes, the Resolution, or contests the powers of the Board or its authority with respect to the Notes or the Resolution, or

(iii) in the event of a final adverse decision could (A) materially adversely affect the operations of the County or the consummation of the transactions contemplated by the Resolution, (B) adversely affect the exemption of the interest paid on the Notes from federal income and California personal income taxation.

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

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

(a) The District is a school district duly organized and validly existing under the laws of the State, with the power to request the issuance of the Notes pursuant to the Act.

(b) At or prior to the Closing, (i) the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the District has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the District Resolution, and the District has full legal right, power and authority to perform its obligations under each such document or instrument, and to carry out and effectuate the transaction contemplated by this Note Purchase Agreement and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Notes, the Resolutions and this Note Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the County and the District; and (v) the County and the District have each authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(c) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or government agency or public body which has not already been secured whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky and or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(d) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the Resolutions and the Notes, and 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 or any other 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) To the best of the District's knowledge, no action, suit, proceeding, hearing or investigation is pending or (to the 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 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 the Notes, the application of the proceeds of the sale of the Notes, or the collection of the revenue or assets of the District pledged or available to pay the principal and interest on the Notes, or the Pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement or the Resolutions or contesting the powers of the District or its authority with respect to the Notes, the Resolutions or this Note Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Note Purchase Agreement and the Resolutions, (b) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Notes from

gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(f) Between the date hereof and the date of the Closing, the District has not, without prior written consent of the Underwriter, borrowed any additional moneys except for such borrowings as may be described in or contemplated by the Official Statement.

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

(h) The information contained in the Official Statement, as of its date and as of the date of Closing, does not and will not contain an untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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

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

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

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District 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 with the District with respect to the Notes, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship, within the meaning of section 53590 of the California Government Code, or otherwise.

(d) The Underwriter has reasonably determined that the District's undertaking to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with the Rule.

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

(a) The District will furnish such information, execute such instruments, and take such action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Notes for offer or sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to process in any jurisdiction;

(b) The District will apply the proceeds from the sale of the Notes for the purposes specified in the Resolutions; and

(c) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the District will adopt any

amendment of or supplement to the Official Statement if any event relating to or affecting the District shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to the purchaser. Any information supplied by the District for inclusion in any amendment or supplement to the Official Statement 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 light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

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

(a) The representations and warranties of the County and the District contained herein shall be true, complete and correct in all material respects as of the date hereof and as of the date of Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the County and the District shall be in compliance with each of the agreements made by it in this Note Purchase Agreement.

(b) At the time of the Closing, (i) the Official Statement, this Note Purchase Agreement and the Resolutions 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 the firm of Bowie, Arneson, Wiles & Giannone, 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 Resolutions, the Note Purchase Agreement or the Official Statement to be performed at or prior to the Closing.

(c) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Note Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the County and the District, pending or threatened or contesting in any way the completeness or accuracy of the Official Statement.

(d) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, shall have been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation shall have enacted, or a bill favorably reported for adoption, or a decision by a court established under Article III of the Constitution of the United States rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or issued, to the effect that the Notes or any securities of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Trustee Indenture Act of 1939, as amended and as then in effect.

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

(1) An approving opinion of Bond Counsel, as to the Notes, dated the Closing Date and addressed to the District, together with letter, addressed to the Underwriter, setting forth that the Underwriter can rely upon the approving opinion of Bond Counsel.

(2) A tax opinion as to the Notes of the Law Offices of Samuel Norber, Beverly Hills, California ("Special Tax Counsel"), dated the Closing Date and addressed to the District, together with letter, addressed to the Underwriter, setting forth that the Underwriter can rely upon the opinion of Special Tax Counsel.

(3) An opinion letter, dated the Closing Date and addressed to the District and the Underwriter of Quint & Thimmig, LLP, San Francisco, California ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that during the course of such representation of the District as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in the appendices to the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) A certificate signed by appropriate officials of the District to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or to his or her knowledge, threatened against the District or contesting in any way the completeness or accuracy of the Official Statement (but in lieu of or in conjunction with such certification the Underwriter may, at its sole discretion, accept certificates, opinions of the District Counsel or Bond Counsel, that in their opinion the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit).

(5) Certificates signed by appropriate officials of the County and the District, as applicable, to the effect that (i) the representation, agreements and warranties of the County and the District herein are true and correct in all material respects as of the date of Closing; (ii) the County and the District have complied with all the terms of the Resolutions and this Note Purchase Agreement to be complied with by the Closing and such documents are in full force and effect; and (iii) such officials have reviewed the Official Statement and, on such basis, certify that the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(6) A non-arbitrage/tax certificate of the District in form satisfactory to Special Tax Counsel.

(7) Evidence satisfactory to the Underwriter that the Notes shall have been rated "_____" by Moody's Ratings Service ("Moody's") (or such other equivalent rating as such rating agency may give) and that such rating has not been revoked or downgraded.

(8) A certificate, together with a fully executed copy of the District Resolution, of the District Clerk to the effect that (i) such copy is a true and correct copy of the District Resolution; and (ii) that 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) A certificate, together with a fully executed copy of the County Resolution, of the Clerk of the County Board of Supervisors to the effect that (i) such copy is a true and correct copy of the County Resolution; and (ii) that the County Resolutions 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.

(10) The final Official Statement executed by an authorized officer of the District.

(11) Specimen Notes.

(12) Evidence that the federal tax information form 8038-G has been prepared by Special Tax Counsel for filing;

(13) Evidence that the California Debt and Investment Advisory Commission forms have been prepared by Bond Counsel for filing.

(14) Such additional legal opinion, 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 and of the Official Statement; and (iii) 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 District.

If the County and/or the District shall be unable to reasonably satisfy the conditions requested by the Underwriter to evidence compliance with the terms and conditions set forth in this Note Purchase Agreement, the Underwriter's obligations for the purchase of the Notes shall be terminated for any reason permitted by this Note Purchase Agreement, and this Note Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance and any and all obligations of the County and the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

The Underwriter shall also have the right to cancel its obligation to purchase the Notes, by written notice to the County and the District, if between the date hereof and the Closing: (i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the

Official Statement or results in an omission to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) the market for the Notes or the market price of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation has been referred by consideration, or by the legislature of the State, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final or temporary) made by the Treasury Department of the United States or the Internal Revenue service or there federal or State authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak on the financial markets of the United States begin such as, in the judgment of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue or a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State authorities having jurisdiction; or (iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the opinion of the Underwriter, materially adversely affect the market price for the Notes.

12. Conditions to Obligations of the County and the District. The performance by the County and the District of their obligations 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 District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) which expenses include and are limited to: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel, Special Tax Counsel and Disclosure Counsel; (iii) the fees and disbursements of Financial Advisor; (iv) the costs of the preparation, printing and delivery of the Notes; (v) the costs of the preparation, printing and delivery of the Official Statement and any amendment or supplement thereto in the quantity requested by the Underwriter, and (vi) rating fees of Moody's.

All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Notes shall be borne by the Underwriter, including, but not limited to: (i) clearing house fees; (ii) DTC fees; (iii) CUSIP® fees; (iv) CDIAAC fees; (v) PSA fees; (vi) MSRB fees; (vii) Underwriter's counsel fees, if any, and (viii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

14. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the County, to the Treasurer-Tax Collector of Riverside County, if to the District, to the Business Manager, or if to the Underwriter to the attention of Ms. Dawn Vincent, Managing Director, Stone & Youngberg LLC, 515 South Figueroa Street, Suite 1800, Los Angeles, CA 90071.

15. Parties in Interest; Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the District and the County in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Note Purchase Agreement 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 the representations, warranties and agreements of the County and the District in this Note Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Note Purchase Agreement.

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

17. Applicable Law. This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State.

Very truly yours,

STONE & YOUNGBERG LLC, as
Underwriter

By _____
Managing Director

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

RIVERSIDE COUNTY

By _____
Authorized Representative

MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By _____
Authorized Representative

RESOLUTION NO. 2010-11-41

RESOLUTION OF THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF MORENO VALLEY UNIFIED SCHOOL DISTRICT 2011 TAX AND REVENUE ANTICIPATION NOTES, FOR FISCAL YEAR 2010-11; REQUESTING THE RIVERSIDE COUNTY BOARD OF SUPERVISORS TO ISSUE SUCH NOTES; PRESCRIBING TERMS OF SALE; AUTHORIZING PREPARATION, EXECUTION AND DELIVERY OF OFFERING MATERIALS AND INFORMATION; AUTHORIZING EXECUTION OF NECESSARY DOCUMENTS AND AGREEMENTS; MAKING RELATED FINDINGS AND DETERMINATIONS AND TAKING RELATED ACTIONS

WHEREAS, the Moreno Valley Unified School District ("District" or "School District") is a public unified school district organized and operating within the County of Riverside ("County") pursuant to the laws of the State of California ("State"), including, but not limited to, the State Constitution and the California Education Code ("Education Code"); and

WHEREAS, pursuant to Sections 53850 *et seq.* of the California Government Code ("Act"), contained in Article 7.6 thereof, entitled "Temporary Borrowing," provides for temporary borrowing by certain local agencies on or after the first day of any fiscal year (being July 1 in the case of the District), the governing board of a school district may borrow money by issuing tax and revenue anticipation notes for any purpose for which such school district is authorized to use and expend moneys, including, but not limited to, current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of such school districts; and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of a school district by the Board of Supervisors of the County, the County Superintendent of Schools ("County Superintendent") of which has jurisdiction over such school district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Riverside County Superintendent of Schools has jurisdiction over the District and this Board of Education of the School District ("District Board") desires to authorize and request the issuance of Tax and Revenue Anticipation Notes of the District through the County pursuant to the provisions of the Act as further set forth herein; and

WHEREAS, the District Board, being the governing board of the District, hereby authorizes and requests the borrowing of not to exceed Twenty-Nine Million Dollars (\$29,000,000) of such tax and revenue anticipation notes at an interest rate not to exceed the maximum rate allowed by law, through the issuance by the Riverside County Board of Supervisors ("County Board") of the Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes ("Notes") in the name of the District, to be sold by negotiated sale upon the terms and conditions described herein; and

WHEREAS, based upon documentation presented to the District Board, the District Board is prepared to make certain findings and determinations concerning the issuance and sale of the Notes, the pledge of revenues to repay the Notes pursuant to State law and various related matters; and

WHEREAS, pursuant to Sections 53854 and 53857 of the Act the Notes shall be payable upon the terms and conditions described herein and the Notes shall be payable only from revenue received accrued or credited during or to fiscal year 2010-11; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes, income, revenue, cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose); and this Resolution specifies that certain unrestricted revenues which will be received by the District for the General Fund of the District during or allocable to fiscal year 2010-11 are pledged for the payment of the Notes; and

WHEREAS, the Notes shall be in the form and executed in the manner requested in this Resolution, all as permitted and required by Section 53853 of the Act; and

WHEREAS, the forms of a preliminary official statement, continuing disclosure certificate and note purchase agreement relating to the Notes have been prepared and are being concurrently presented to this District Board; and

WHEREAS, the District Board desires to retain, and authorize the retention of, certain professional services in connection with the authorization, issuance, sale and delivery of the Notes; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of such Notes are within all limits prescribed by law; and

WHEREAS, based on the foregoing, the District Board has determined that it is appropriate to adopt this Resolution, including making certain findings, directing certain actions and requesting the County to issue the Notes on behalf of, and in the name of, the District.

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein.

Section 2. Authorization for Issuance of Notes; Request for County Issuance of Notes.

(b) The District Board hereby authorizes the issuance of the Notes upon the findings, terms and conditions set forth herein, subject to the issuance and sale terms as may be set forth in the County Issuance Resolution (as defined herein). Such authorization shall include the findings, directions and authorizations set forth herein.

(c) The Notes shall be issued solely for the payment of current expenses, capital expenditures and other obligations payable from or credited to the General Fund of District during or allocable to fiscal year 2010-11.

(d) Pursuant to Government Code Section 53853, the District Board hereby requests the County Board to issue, in the name of the District, by resolution of such County Board, an amount not to exceed \$29,000,000 principal amount of Notes under the Act, designated "**Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes**" pursuant to the provisions of the Act and applicable State law. It is requested that the Notes be issued upon the terms and conditions described herein. The resolution adopted by the County Board for the issuance of the Notes is referred to herein as the "County Issuance Resolution".

Section 3. Findings, Determinations and Directives. The District Board, based on satisfactory documentation and evidence, hereby finds, determines and directs as follows:

(a) The Riverside County Superintendent of Schools has jurisdiction over the District, and as such, the County is the appropriate county for actions under Government Code Section 53853.

(b) The maximum principal amount of Notes, to be issued in the name of the District by the County Board in fiscal year 2010-11, when added to the interest payable thereon, shall not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, (including but not limited to revenue from state and federal governments), cash receipts, revenues and other moneys of the District for the General Fund of the District attributable to fiscal year 2010-11, and available for the payment of the Notes and the interest thereon, as required by Section 53858 of the Act.

(c) The Notes shall be a General obligation of the District, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for the payment thereof shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act.

(d) The Notes will not be issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such notes are outstanding, all as provided in Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury.

(e) The District has received a qualified certification on an interim report (as defined in Article 3 of Chapter 6 of Part 24 of Division 3 of Title 2 of the Education Code) for fiscal year 2010-11. The Board hereby directs that the Notes shall not be issued and sold until the Riverside County Office of Education provides a written confirmation to the District in satisfaction of the District's ability to repay the Notes in conformance with the requirements of Education Code Section 42133(a).

Section 4. Sale of the Notes; Note Purchase Agreement. The County Board is hereby requested to issue the Notes, to be sold by a negotiated sale in accordance with the terms and conditions in substantially the form set forth in the Note Purchase Agreement ("Purchase Agreement") by and among the County, the District, and the purchaser of the Notes (the Underwriter), the form of which is attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 5. Form of Purchase Agreement; Sale of Notes; Delegation of Authority. The form of the Purchase Agreement is hereby approved. The Superintendent and such other officers of the School District as may be authorized by the District Board or Superintendent (each a "Designated Officer") are, and each of them acting alone hereby is, authorized to execute and deliver, with the County Treasurer-Tax Collector ("Treasurer"), or an authorized deputy of the Treasurer, to the Underwriter the Purchase Agreement on behalf of the District, with such changes therein as the Designated Officer executing the same on behalf of the District may approve, in their discretion, as being in the best interests of the District and subject to the terms and conditions set forth herein in the County Issuance Resolution. Such approval is to be conclusively evidenced by such Designated Officer's execution thereof. The Treasurer is authorized and directed to negotiate, in cooperation with the Designated Officer, the final principal amount of the Notes, which shall not exceed \$29,000,000. The Treasurer is authorized and directed to negotiate, in cooperation with the Designated Officer, with the Underwriter the interest rate(s) on the Notes, not to exceed the applicable legal maximum for interest rates on such notes, and the Underwriter's discount shall not exceed three quarters of one percent (0.75%) of the principal amount of the Notes (exclusive of any premium paid on the Notes, costs of issuance of the Notes which may be paid by the Underwriter, and/or original issue discount, if any, which original issue discount shall not exceed 5.00%). The maturity date for the Notes shall be a date not later than October 13, 2011.

Section 6. Terms of Notes. It is requested that the County Issuance Resolution shall provide or include the following terms for the Notes as issued and delivered:

- (a) The Notes shall be numbered from 1 consecutively upward in order of issuance;
- (b) The Notes shall be issued in the denominations of \$5,000, or integral multiples thereof;
- (c) The Notes shall be dated the date of their delivery, unless otherwise set forth in the Purchase Agreement, as executed and delivered.
- (d) The Notes shall mature (without option of prior redemption) on the date set forth in the Purchase Agreement, which date shall be not later than the date set out in Section 5, above.

(e) The Notes shall bear interest, payable at maturity and computed on a 30-day month/360-day year basis, at the rate or rates set forth in the Purchase Agreement. Such interest rate shall not be in excess of the maximum rate per annum allowed by law.

(g) Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the office of the Paying Agent (as defined and designated herein).

Section 7. Form of Notes. The Notes shall be issued in registered form, and shall be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in the full principal amount of the Notes. The form of the Notes shall be as set forth in the County Issuance Resolution. The Depository Trust Company, New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in the County Issuance Resolution.

Section 8. Execution of Notes. The District hereby requests the Chairman of the County Board to sign the Notes manually or by facsimile signature; the Treasurer to sign the Notes manually; the Clerk of the County Board ("Clerk") to countersign the Notes manually or by facsimile signature, provided that at least one of the foregoing shall sign manually; the Clerk to affix the seal of the County thereto by facsimile impression thereof; and said officers to cause the blank spaces thereof to be filled in as may be appropriate.

Section 9. Delivery of Notes. The appropriate officers of the County Board are hereby requested to deliver the executed Notes to the Underwriter upon satisfaction of the terms of the Purchase Agreement.

Section 10. Paying Agent.

(a) U.S. Bank National Association, is hereby appointed as the initial authenticating agent, note registrar, transfer agent and paying agent (collectively, "Paying Agent") for the Notes. All fees and expenses incurred for services of the Paying Agent shall be the sole responsibility of the District, subject to the terms hereof. The Paying Agent may also function as the dissemination agent, if so appointed by the District, and if so acting, shall perform all duties and obligations as set forth in the Continuing Disclosure Certificate, as described in Section 15 hereof.

(b) The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least 60 days' written notice to the District. The Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the District. A successor Paying Agent shall be appointed by the District, which consent shall not be unreasonably withheld, and shall be a bank or trust company organized under the laws of the state of California, of any state or the United States, a national banking association or any other financial institution, having capital stock and surplus aggregating to at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution. Such Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and

delivering to the District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective only upon appointment and acceptance of a successor Paying Agent.

(c) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any monies held by it as Paying Agent to its successor. The District shall promptly cause to be mailed, at its expense, the name and principal corporate trust office address of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Informational Services and to Depository.

(e) Any company or association into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under this Section 10, shall be the successor to the Paying Agent and vested with all of the title to the trust estate and all of the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. All costs associated with the Paying Agent's merger or consolidation with another bank or trust company shall be paid by the successor Paying Agent. No expense resulting from such merger or consolidation shall be billed to the District.

(f) To the extent permitted by law, the Paying Agent may become the Owner of any of the Notes.

(g) All documents received by the Paying Agent under the provisions of this Resolution shall be retained in its possession at the principal corporate office of the Paying Agent and shall be subject during business hours and upon reasonable notice to the inspection of the District, the County or the Owners and their agents and representatives duly authorized in writing.

Section 11. Security and Payment for the Notes; Repayment Fund.

(a) Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the District during fiscal year 2010-11, or attributable to fiscal year 2010-11, and which are available therefor. The Notes shall be a General obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues (defined below), the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided herein and by law.

(b) Pledged Revenues. Unless otherwise provided for in the Note, as security for the payment of the principal of and interest on the Notes, the District hereby pledges unrestricted revenues received or accrued during fiscal year 2010-11, or attributable to fiscal year 2010-11, in such amounts and in such months as shall be set forth in the Purchase Agreement for the Notes, as executed and delivered, as sufficient to pay principal of and interest on the Notes through their states maturity (such pledged amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other money of the District as provided in Section 53856 of the Act, which are intended as receipts for the

General Fund of the District and which are generally available for the payment of current expenses and other obligations of the District.

The principal of the Notes and the interest thereon shall be a first lien and charge against and shall be payable from the first moneys received by the District from such Pledged Revenues, as provided by law.

In the event that there are insufficient unrestricted revenues received by the District to permit the deposit into the Repayment Fund, as hereinafter defined, of the full amount of Pledged Revenues to be deposited from unrestricted revenues in a month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for repayment of the Notes and the interest thereon.

(c) Covenant Regarding Additional Short-term Borrowing. The District hereby covenants and warrants that it will not request the Treasurer to make temporary transfers of funds in the custody of the Treasurer to meet any obligations of the District during the 2010-11 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority until the funds held in the Repayment Fund (as defined below) are sufficient to pay, in full, the principal and interest on the Notes at maturity.

(d) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be held by the Paying Agent in a special fund designated as the "Moreno Valley Unified School District, Riverside County, State of California, 2011 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. The District, in consultation with the Treasurer, shall direct the moneys in the Repayment Fund to be invested, as provided in Section 11(f) of this Resolution, by the Paying Agent. Any moneys accounted for in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

(e) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be accounted for in the Repayment Fund. After such date as the amount of Pledged Revenues accounted for in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon the request of the District. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes.

(f) Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested by the Paying Agent at the request of the District, in consultation with the Treasurer, in either investment securities, or otherwise as permitted by applicable California law, as it is now in effect and as it may be amended, modified or supplemented from time to time including the investments authorized in this Resolution; provided that no such investments shall have a maturity date later than the maturity date of the Notes.

Section 12. Deposit of Note Proceeds: No Arbitrage.

(a) The net proceeds of the Notes shall be deposited in the General Fund of the District.

(b) The net proceeds of the Notes shall be withdrawn, used and expended by the District for any purpose for which it is authorized to expend funds from the General Fund of the District, including, but not limited to, current expenses, capital expenditures, the discharge of any obligation or indebtedness of the District and costs of issuance of the Notes.

(c) In addition to investments in the Treasurer's Investment Pool, pursuant to Section 53601(1) of the Government Code of the State of California, the following are hereby designated as additional authorized investments for the proceeds of the Notes and funds held in the Repayment Fund: (i) a guaranteed investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the District Board hereby directs any Authorized Officer to execute a certificate of indemnity holding the Treasurer and the County, its officers, employees and servants harmless and indemnifying them from any costs, liabilities, claims or damages, including but not limited to attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or, alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and servants, caused by or arising from the investment of the funds in such an instrument); or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California.

(d) The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section 148 of the Code (as defined herein); and, to that end, so long as any of the Notes are outstanding, the District, and all of its officers having custody or control of such proceeds, shall comply with all requirements of said section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the federal government, and of the income tax regulations of the United States Treasury promulgated thereunder or under any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage bonds."

Section 13. Proceeds of Notes Conditionally Pledged. Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund.

Section 14. Preliminary Official Statement; Official Statement. Pursuant to the provisions of applicable State law and federal disclosure requirements a Preliminary Official Statement relating to the Notes has been prepared, and the use and distribution of the Preliminary Official Statement and a final Official Statement in connection with the sale of the Notes is hereby authorized. The Financial Advisor and Underwriter are hereby authorized to distribute

the Preliminary Official Statement to prospective purchasers of the Notes. The Designated Officer is authorized to approve, execute and deliver, as applicable, copies of the Preliminary Official Statement and the final Official Statement, with such changes therein as such officer shall approve, in his or her discretion, as being in the best interests of the District. Upon approval of such changes by such officer, the Preliminary Official Statement shall be deemed final as of its date, except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The District Board hereby authorizes and directs the Designated Officer to deliver to the Underwriter a certificate to the effect that the District deems the Preliminary Official Statement, in the form approved by the Designated Officer, to be final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted under such Rule). The District Board hereby also authorizes and directs the Designated Officer to execute and deliver the final form of the Official Statement to the Underwriter as of its final date. In so doing, the Designated Officer may rely upon the advice of Disclosure Counsel.

Section 15. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate (as defined below). Notwithstanding any other provisions of this Resolution, failure of the District to comply with the provisions of the Continuing Disclosure Certificate shall not be considered a default by the District hereunder or under the Notes; however, any underwriter or any holder or beneficial Owner of the Notes may take such actions as may be necessary and appropriate to compel performance therewith, including seeking mandate or specific performance by court order.

For purposes of this Section, "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. A form of the Continuing Disclosure Certificate is attached hereto as Exhibit "B" and incorporated by reference herein. The Designated Officer(s) are hereby authorized to approve, execute and deliver the final form of the Continuing Disclosure Certificate with such changes, insertions and deletions as may be approved by the Designated Officer and Disclosure Counsel, which approval shall be conclusively evidenced by execution and delivery thereof.

Section 16. Tax Covenants.

(a) **No Arbitrage.** The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section 148 of the Code; and, to that end, so long as any of the Notes are outstanding, the District, and all of their officers and agents having custody or control of such proceeds, shall comply with all requirements of (i) said Code section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the federal government, and (ii) of the Regulations promulgated thereunder or any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage

bonds.” Without limiting the foregoing, the District hereby covenants that it will comply with the requirements of the Tax Certificate to be provided by the District as of the date of issuance of the Notes. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(b) Rebate Calculation and Payment. The District covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (ii) cause to be segregated and set aside from lawfully available sources held in the County treasury the amount such calculations indicate may be required to be paid to the United States Treasury; and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District will immediately cause to be set aside, from revenues received by the County treasury during or allocable to the 2010-11 Fiscal Year or, to the extent not available from such revenues, from any other monies lawfully available, the amount of such rebate in a separate fund that the District hereby agrees to cause to be established and maintained at the County treasury and designated as the “Moreno Valley Unified School District 2010-11 Tax and Revenue Anticipation Notes Rebate Fund” (“Rebate Fund”).

(c) Rebate Fund. The District shall, at such time as shall be necessary, establish and create, through the Treasurer, the Rebate Fund, which fund shall be kept separate and distinct from all other District funds, and into which the District shall deposit, or direct deposit of, funds used to satisfy any requirement to make rebate payments to the United States pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder as shall be applicable to the Notes. The principal requirements for rebate payments applicable to the Notes shall be as set forth in the Tax Certificate as executed and delivered by the District. The Rebate Fund (if and when established pursuant to the requirements of the Tax Certificate) may, at the discretion of the District, be held by the Paying Agent or the County. Responsibility for determining and calculating rebate payments, if any, due with regard to the Notes are the responsibility of the District as further set forth in this Section 16. Monies in the Rebate Fund shall be invested in compliance with the limitations of the Code.

(d) Private Activity Bond Limitation. The District shall assure that the proceeds of the Notes are not so used as to cause the Notes to satisfy the private business tests of section 141(b) of the Code (as hereinafter defined) or the private loan financing test of section 141(c) of the Code.

(e) Federal Guaranty Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Notes to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(f) Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest on the Notes from the gross income of the registered owners of the Notes to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Notes.

(g) For purposes of this Section 16, the term "Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Notes or (except as otherwise referenced herein) as amended and as it may be amended to apply to obligations issued on the date of issuance of the Notes, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

(h) Remedies Limited to Note Owners. Notwithstanding any other provision of this Resolution to the contrary, no one other than the owners or former owners of the Notes shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's failure to observe, or refusal to comply with, the covenants in this Section.

(i) Reliance on Opinion of Special Tax Counsel. Notwithstanding any provision of this Section, if the District shall obtain an opinion of Special Tax Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the excludability from gross income for federal income tax purposes of interest on the Notes, the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 17. Covenants and Warranties. Based on the representations and covenants of the District, it is hereby covenanted and warranted by the District Board that all representations and recitals contained in this Resolution are true and correct, and that the District Board has reviewed all proceedings heretofore taken relative to the authorization of the Notes and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Notes have existed, happened and been performed in due time, form and manner as required by law. The District Board and its appropriate officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the prompt collection and enforcement of the taxes, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution.

Section 18. Books and Accounts. The Treasurer and the Paying Agent are requested to keep, or cause to be kept, proper books of record and accounts to record (i) all deposits, expenditures and investment earnings on the Repayment Fund and any and all accounts or subaccounts thereof, and (ii) transfers of funds for the payment of principal or interest on the Notes. The Paying Agent shall provide periodic written statements of such fund(s) and/or account(s) to the District. Such books of record and accounts shall, upon reasonable notice, during regular business hours be subject to the inspection of the District, the Paying Agent (if other than the Treasurer), the Treasurer and the Owners of not less than ten percent (10%) of the principal amount of the Notes then outstanding, or their representatives authorized in writing.

Section 19. Unclaimed Monies. Notwithstanding any of the foregoing provisions of this Resolution and subject to State law, any monies held by the Paying Agent for the payment of the principal of, redemption premium, if any, or interest on the Notes remaining unclaimed for one year after the corresponding maturity or redemption date for such Notes shall be transferred by the Paying Agent to the Treasurer, with any and all interest accrued thereon, for deposit into the Repayment Fund, or if the Notes have been paid and redeemed pursuant to their terms, to the General Fund of the District. Notwithstanding any other provisions of this Resolution, any monies held in any fund created pursuant to this Resolution or the County Issuance Resolution, or by the Paying Agent in trust, for the payment of the principal of, or interest on, Notes and remaining unclaimed for one year after the principal of all of the Notes have become due and payable (whether by maturity or upon prior redemption) shall be, after payment in full of the Notes, transferred to the General Fund of the District to be applied in accordance with law; provided, however, that the Paying Agent, or Treasurer, as may be the case, before making such transfer, shall cause notice to be mailed to the Owners of all Notes that have not been paid, by first-class mail at the addresses on the Note Register (as defined in the County Issuance Resolution), postage prepaid, not less than 90 days prior to the date of such transfer.

Section 20. District Consultants and Other Costs.

(a) The Superintendent of the District, or the Designated Officer, is authorized and directed to contract for consultant services, including legal, financial and related professional services, as specified below, or as otherwise necessary, at the discretion of the Superintendent, so the District Board and the District may proceed with the proposed issuance and sale of the Notes.

(b) The District Board hereby confirms the appointment of the firm of Fieldman, Rolapp & Associates to act as the Financial Advisor to the District relative to the issuance and sale of the Notes.

(c) The District Board hereby confirms the appointment of the firm of Bowie, Arneson, Wiles & Giannone to act as Bond Counsel for the District relative to the issuance and sale of the Notes.

(d) The District Board hereby confirms the appointment of the firm of Quint & Thimmig LLP to act as Disclosure Counsel for the District relative to the issuance and sale of the Notes.

(e) The District Board hereby confirms the appointment of The Law Offices of Samuel Norber to act as Special Tax Counsel to the District relative to the issuance and sale of the Notes.

(f) The District Board hereby states its intention to sell the Notes to Stone & Youngberg LLC as Underwriter pursuant to the final terms of the Purchase Agreement.

(g) The District Board hereby confirms the appointment of U.S. Bank National Association, to act as the initial Paying Agent relative to the issuance and sale of the Notes.

(h) The Superintendent, or the Designated Officer, of the District is authorized and directed to contract for such other and further services, including legal, financial and related professional services, or as otherwise necessary so the District may proceed with, and complete, the issuance and sale of the Notes as set forth herein.

(i) The District shall reimburse the County for all costs and expenses incurred by the County, its officials, officers, agents, and employees in issuing or otherwise in connection with the Notes or the holding any of the funds described herein or in the County Issuance Resolution. An agreement to such effect, and to cover such other and further issues as required by the County in connection herewith, is hereby authorized.

(j) The estimated costs of the issuance and delivery of the Notes and projected interest costs thereof, subject to projected interest earnings on the proceeds of the Notes, are set forth on Exhibit "C" attached hereto. Such costs, and interest earnings, are estimates provided by District staff and consultants and shall not constrain or limit the actual costs nor affect the actual interest earnings resulting from the issuance, delivery and repayment of the Notes.

Section 21. Benefits Limited to Parties. Nothing in this Resolution, express or implied, is intended to give to any person other than the District, the Paying Agent, the County and the Owners of the Notes, any right, remedy or claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the District are for the sole and exclusive benefit of the District, the Paying Agent, the County and the Owners of the Notes.

Section 22. Successor Is Deemed Included in All References to Predecessor. Whenever in this Resolution any of the District, the County or the Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the terms and conditions in this Resolution contained by or on behalf of the District or the Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 23. Approval of Actions; Ratification.

(a) **District Actions.** All actions heretofore taken by officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified. The President, Clerk and Secretary of the District Board and the Superintendent and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Notes. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be absent or unavailable. Bond Counsel if authorized and directed to collect, assemble and distribute a transcript of the resolutions, agreements, documents, certifications, opinions and other documentation relating to the authorization, issuance, sale and delivery of the Notes upon the issuance, sale and delivery thereof.

(b) Further Actions Authorized. It is hereby covenanted that the District Board and its appropriate officials will cause the County to take all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the revenues pledged under this Resolution (the Pledged Revenues) in accordance with the law and for carrying out the provisions of this Resolution.

Section 24. Amendments. The District may from time to time, and at any time, without notice to or consent of any of the Owners of the Notes, by action of the District Board, amend the provisions of this Resolution for any of the following reasons:

(a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or therein, or to make any other provision with respect to matters or questions arising under this Resolution, provided that such action shall not adversely affect the interests of the County or the Note Owners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Resolution which are not contrary to or inconsistent with this Resolution as theretofore in effect; and/or

(c) to modify, alter, amend or supplement this Resolution in any other respect which is not materially adverse to the County or the Note Owners.

In the event of any such amendment, the District shall promptly provide the County and the Paying Agent with copies of such amendment and the action of the District Board approving such amendment.

No such amendment shall: (i) extend the fixed maturity of any Note, reduce the amount of principal thereof or the rate of interest thereon or extend the time of payment thereof, without the consent of the Owner of each Note so affected, or (ii) modify or amend this Section without the consent of the Owners of all of the Notes then outstanding.

Upon the adoption of any amendment pursuant to this Section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Resolution, of the County, the Paying Agent and all Owners shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

The provisions of this Section shall not prevent any Owner from accepting any modification or amendment as to the particular Notes held by such Owner.

Section 25. Partial Invalidity; Severability. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Notes; but the Note Owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have entered into this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Notes pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 26. Transmittal of Resolution. The Designated Officer is hereby directed to promptly transmit a certified copy of this Resolution to the County Board of Supervisors, the Treasurer and the County Superintendent of Schools.

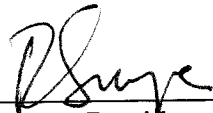
Section 27. Governing Law. This Resolution shall be construed under, and governed in accordance with, the laws of the State of California.

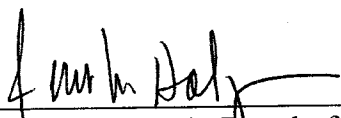
Section 28. Effective Date. This resolution shall take effect from and after its adoption.

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APPROVED, ADOPTED, AND SIGNED on March 22, 2011.

**BOARD OF EDUCATION OF THE MORENO
VALLEY UNIFIED SCHOOL DISTRICT**

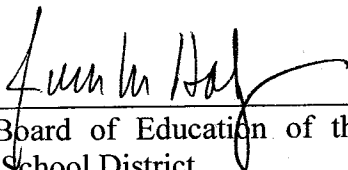
By: 
Rick Sayre, President, Board of Education of
the Moreno Valley Unified School District

By: 
Jesus M. Holguin, Clerk, Board of Education of
the Moreno Valley Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Jesus M. Holguin, Clerk, Board of Education of the Moreno Valley Unified School District, do hereby certify that the foregoing was duly adopted by the Board of Education of such District at a regular meeting of said Board held on the 22nd day of March, 2011, at which a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law and at which meeting all of the members of such Board had due notice and that at such meeting the attached resolution was adopted by the following vote:

AYES: 4
NOES: ~~1~~ 1 (Rios)
ABSTAIN: 0
ABSENT: 0

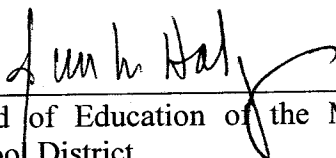


Clerk, Board of Education of the Moreno Valley
Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Jesus M. Holguin, Clerk, Board of Education of the Moreno Valley Unified School District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2010-11-41 of such Board, and that the same has not been rescinded, amended or repealed.

Dated this 22nd day of March, 2011.



Clerk, Board of Education of the Moreno Valley
Unified School District

EXHIBIT "A"

FORM OF NOTE PURCHASE AGREEMENT

§ _____
MORENO VALLEY UNIFIED SCHOOL DISTRICT
2011 Tax and Revenue Anticipation Notes
(Riverside County, California)

NOTE PURCHASE AGREEMENT

April __, 2011

Board of Supervisors
Riverside County
4080 Lemon Street, 4th Floor
Riverside, CA 92502

Board of Education
Moreno Valley Unified School District
25634 Alessandro Boulevard
Moreno Valley, CA 92553

Ladies and Gentlemen:

The undersigned, Stone & Youngberg LLC (the "Underwriter"), acting on behalf of itself, offer to enter into this agreement with Riverside County, California (the "County"), and the Moreno Valley 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 acceptance of the Note Purchase Agreement by the County and the District and written delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., Pacific Time, on the day next proceeding the day of Closing, as hereinafter defined.

The County and the District hereby acknowledge and agree that (a) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction among the County, the District and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and are not acting as the agent or fiduciary of the County or the District, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the County or the District with respect to the offering and sale of the Notes contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the County or the District on other matters) and the Underwriter has no obligation to the County or the District with respect to the offering and sale of the Notes contemplated hereby except the obligations expressly set forth in this Note Purchase Agreement, and (d) the County and the District have consulted their own legal, financial and other advisors to the extent they have deemed appropriate, in connection with the Notes and the matters contemplated by this Note Purchase Agreement.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$ _____ aggregate principal amount of the District's 2011 Tax and Revenue Anticipation Notes (the "Notes") issued in the name of the District by the County; provided, that during the period from the execution of the Note Purchase Agreement to and including the Closing date thereof, the District may retain the right to reduce the aggregate principal amount of the Notes in order to comply with applicable federal tax law once determined.

The Notes shall be dated the date of delivery thereof, which date is anticipated to be _____, 2011, shall bear interest at a rate of ____% per annum (payable at maturity), and shall mature on _____, 2011. The purchase price to be paid by the Underwriter for the Notes shall include a premium offered by the Underwriter for purchase of the Notes of \$ _____, less an Underwriter's discount of \$ _____, making the net purchase price for the Notes \$ _____. The reoffering price of the Notes is _____%, to yield ____%.

Pursuant to the State of California (the "State") Constitution and laws of the State, specifically section 53850 *et seq.* of the California Government Code (the "Act"), the District will pledge, for the payment of the Notes and the interest thereon, certain unrestricted moneys to be received by the District not later than in the months of August 2011 and September 2011 due to State deferrals, but attributable to Fiscal Year 2010-11.

2. The Notes. The Notes shall be described in, and shall be issued and secured pursuant to the provisions of the Resolution of the County adopted _____, 2011 (the "County Resolution"), at the request of the District pursuant to a resolution adopted March 22, 2011 (the "District Resolution") (collectively, the "Resolutions"), and the Act.

The Notes shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Resolutions. The Notes 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. The Notes shall initially be in authorized denominations of five thousand dollars (\$5,000) principal amount each or any integral multiple thereof.

U.S. Bank National Association ("Paying Agent") shall serve as the initial authenticating agent, note registrar, transfer agent, and paying agent for the Notes pursuant to a paying agent agreement with respect to the Notes, between the District and the Paying Agent.

3. Use of Documents. The District hereby approves and authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Note Purchase Agreement and an official statement, dated April __, 2011, in a form jointly approved by the District and the Underwriter (which, together with all appendices thereto and with such changes therein and supplements thereto consented to by the Underwriter, is herein called the "Preliminary Official Statement"), 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 transaction contemplated by this Note Purchase Agreement.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of all the Notes.

The Underwriter hereby represents to the District: (i) that as of the date of sale, all of the Notes purchased were expected to be reoffered in a bona fide public offering; (ii) that as of the date of the certification, all of the Notes purchased had actually been offered to the general

public at the offering price shown on the cover page of a final official statement relating to the Notes, dated the date hereof ("Official Statement"); and (iii) that the price given in Official Statement is the maximum initial bona fide offering price at which a substantial amount (at least 10%) of the Notes purchased was sold, or reasonably expected to be sold, to the general public.

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 Notes.

5. Delivery of Official Statement. Prior to the closing, the District shall deliver to the Underwriter such reasonable number of the Official Statement (as supplemented and amended from time to time) as the Underwriter shall reasonably request as necessary to comply with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The District agrees to deliver the Official Statement within seven (7) business days after the execution thereof. The Underwriter will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

The Underwriter agrees that prior to the time the Official Statement is available, the Underwriter will send to any potential purchaser of the Notes, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The Underwriter hereby represents that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and deliver a copy of the Official Statement to a national repository on or before the date of the Closing (hereinafter defined), and that it will otherwise comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, including, without limitation, MSRB Rules G-32 and G-36 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

6. Closing. At 8:00 A.M., Pacific Time, on April __, 2011, or such other time or such other date as shall have been mutually agreed upon by the District and the Underwriter (the "Closing"), the District will deliver to the Underwriter, through the facilities of the Depository Trust Company in New York, New York, or at such other place as the District and the Underwriter may mutually agree upon, the Notes in definitive form, duly executed, together with other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County on behalf of the District. The Notes will be initially issued in the form of a separate single fully registered note. Upon initial issuance, the ownership of such Notes shall be registered in the registration books kept at the County in the name of Cede & Co., as the nominee of the Depository Trust Company.

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

(a) The County is a political subdivision duly organized and validly existing under the laws of the State of California (the "State"), with the power to issue the Notes pursuant to the Act.

(b) At or prior to the Closing, (i) the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the County has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the County Resolution, and the County has full legal right, power and authority to issue and deliver the Notes to the Underwriter in the name of the District and the County has full legal right, power and authority to perform its obligations under each such document or instrument, and to carry out and effectuate the transaction contemplated by this Note Purchase Agreement and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Note, the Resolutions and this Note Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the County; and, (v) the County has authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(c) No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any person, organization, court or governmental agency or public body whatsoever which has not already been obtained or secured is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky and or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(d) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the County Resolution and the Notes, and compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or a default under, the Constitution of the State or any other 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) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or threatened against the Board which:

(i) affects the existence of the Board or in any way challenges the respective powers of the several offices or the titles of the officials of the Board to such offices,

(ii) seeks to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues of the District pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contests or affects the validity or enforceability of the Notes, the County Resolution, or contests the powers of the Board or its authority with respect to the Notes or the County Resolution, or

(iii) in the event of a final adverse decision could (A) materially adversely affect the operations of the County or the consummation of the transactions contemplated by the County Resolution, (B) adversely affect the exemption of the interest paid on the Notes from federal income and California personal income taxation.

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

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

(a) The District is a school district duly organized and validly existing under the laws of the State, with the power to request the issuance of the Notes pursuant to the Act.

(b) At or prior to the Closing, (i) the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the District has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the District Resolution, and the District has full legal right, power and authority to perform its obligations under each such document or instrument, and to carry out and effectuate the transaction contemplated by this Note Purchase Agreement and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Notes, the District Resolution and this Note Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the County and the District; and (v) the County and the District have each authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(c) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or government agency or public body which has not already been secured whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky and or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(d) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the District Resolution and the Notes, and 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 or any other 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) To the best of the District's knowledge, no action, suit, proceeding, hearing or investigation is pending or (to the 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 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 the Notes, the application of the proceeds of the sale of the Notes, or the collection of the revenue or assets of the District pledged or available to pay the principal and interest on the Notes, or the Pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement or the District Resolution or contesting the powers of the District or its authority with respect to the Notes, the District Resolution or this Note Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Note Purchase Agreement and the District Resolution, (b) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(f) Between the date hereof and the date of the Closing, the District has not, without prior written consent of the Underwriter, borrowed any additional moneys except for such borrowings as may be described in or contemplated by the Official Statement.

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

(h) The information contained in the Official Statement, as of its date and as of the date of Closing, does not and will not contain an untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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

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

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

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District 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 with the District with respect to the Notes, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship, within the meaning of section 53590 of the California Government Code, or otherwise.

(d) The Underwriter has reasonably determined that the District's undertaking to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with the Rule.

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

(a) The District will furnish such information, execute such instruments, and take such action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Notes for offer or sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to process in any jurisdiction;

(b) The District will apply the proceeds from the sale of the Notes for the purposes specified in the Resolutions; and

(c) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the District will adopt any amendment of or supplement to the Official Statement if any event relating to or affecting the District shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances

existing at the time it is delivered to the purchaser. Any information supplied by the District for inclusion in any amendment or supplement to the Official Statement 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 light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

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

(a) The representations and warranties of the County and the District contained herein shall be true, complete and correct in all material respects as of the date hereof and as of the date of Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the County and the District shall be in compliance with each of the agreements made by it in this Note Purchase Agreement.

(b) At the time of the Closing, (i) the Official Statement, this Note Purchase Agreement and the Resolutions 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 the firm of Bowie, Arneson, Wiles & Giannone, 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 Resolutions, the Note Purchase Agreement or the Official Statement to be performed at or prior to the Closing.

(c) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Note Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the County and the District, pending or threatened or contesting in any way the completeness or accuracy of the Official Statement.

(d) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, shall have been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation shall have enacted, or a bill favorably reported for adoption, or a decision by a court established under Article III of the Constitution of the United States rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or issued, to the effect that the Notes or any securities of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Trustee Indenture Act of 1939, as amended and as then in effect.

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

(1) An approving opinion of Bond Counsel, as to the Notes, dated the Closing Date and addressed to the District, together with letter, addressed to the Underwriter, setting forth that the Underwriter can rely upon the approving opinion of Bond Counsel.

(2) A tax opinion as to the Notes of the Law Offices of Samuel Norber, Beverly Hills, California ("Special Tax Counsel"), dated the Closing Date and addressed to the District, together with letter, addressed to the Underwriter, setting forth that the Underwriter can rely upon the opinion of Special Tax Counsel.

(3) An opinion letter, dated the Closing Date and addressed to the District and the Underwriter of Quint & Thimmig, LLP, San Francisco, California ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that during the course of such representation of the District as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in the appendices to the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) A certificate signed by appropriate officials of the District to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or to his or her knowledge, threatened against the District or contesting in any way the completeness or accuracy of the Official Statement (but in lieu of or in conjunction with such certification the Underwriter may, at its sole discretion, accept certificates, opinions of the District Counsel or Bond Counsel, that in their opinion the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit).

(5) Certificates signed by appropriate officials of the County and the District, as applicable, to the effect that (i) the representation, agreements and warranties of the County and the District herein are true and correct in all material respects as of the date of Closing; (ii) the County and the District have complied with all the terms of the Resolutions and this Note Purchase Agreement to be complied with by the Closing and such documents are in full force and effect; and (iii) such officials have reviewed the Official Statement and, on such basis, certify that the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(6) A non-arbitrage/tax certificate of the District in form satisfactory to Special Tax Counsel.

(7) Evidence satisfactory to the Underwriter that the Notes shall have been rated "_____" by Moody's Ratings Service ("Moody's") (or such other equivalent rating as such rating agency may give) and that such rating has not been revoked or downgraded.

(8) A certificate, together with a fully executed copy of the District Resolution, of the District Clerk to the effect that (i) such copy is a true and correct copy of the District Resolution; and (ii) that 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) A certificate, together with a fully executed copy of the County Resolution, of the Clerk of the County Board of Supervisors to the effect that (i) such copy is a true and correct copy of the County Resolution; and (ii) that 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.

(10) The final Official Statement executed by an authorized officer of the District.

(11) Specimen Notes.

(12) Evidence that the federal tax information form 8038-G has been prepared by Special Tax Counsel for filing;

(13) Evidence that the California Debt and Investment Advisory Commission forms have been prepared by Bond Counsel for filing.

(14) Such additional legal opinion, 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 and of the Official Statement; and (iii) 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 District.

If the County and/or the District shall be unable to reasonably satisfy the conditions requested by the Underwriter to evidence compliance with the terms and conditions set forth in this Note Purchase Agreement, the Underwriter's obligations for the purchase of the Notes shall be terminated for any reason permitted by this Note Purchase Agreement, and this Note Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance and any and all obligations of the County and the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

The Underwriter shall also have the right to cancel its obligation to purchase the Notes, by written notice to the County and the District, if between the date hereof and the Closing: (i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) the market for the Notes or the market price of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation has been referred by consideration, or by the legislature of the State, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final or temporary) made by the Treasury Department of the United States or the Internal Revenue

service or there federal or State authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak on the financial markets of the United States begin such as, in the judgment of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue or a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State authorities having jurisdiction; or (iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the opinion of the Underwriter, materially adversely affect the market price for the Notes.

12. Conditions to Obligations of the County and the District. The performance by the County and the District of their obligations 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 District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) which expenses include and are limited to: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of the Paying Agent, Bond Counsel, Special Tax Counsel and Disclosure Counsel; (iii) the fees and disbursements of Financial Advisor; (iv) the costs of the preparation, printing and delivery of the Notes; (v) the costs of the preparation, printing and delivery of the Official Statement and any amendment or supplement thereto in the quantity requested by the Underwriter, and (vi) rating fees of Moody's.

All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Notes shall be borne by the Underwriter, including, but not limited to: (i) clearing house fees; (ii) DTC fees; (iii) CUSIP® fees; (iv) CDIAAC fees; (v) PSA fees; (vi) MSRB fees; (vii) Underwriter's counsel fees, if any, and (viii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

14. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the County, to the Treasurer-Tax Collector of Riverside County, if to the District, to the Business Manager, or if to the Underwriter to the attention of Ms. Dawn Vincent, Managing Director, Stone & Youngberg LLC, 515 South Figueroa Street, Suite 1800, Los Angeles, CA 90071.

15. Parties in Interest; Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the District and the County in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Note Purchase Agreement 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 the representations, warranties and agreements of the County and the District in this Note Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of

the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Note Purchase Agreement.

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

17. Applicable Law. This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State.

Very truly yours,

STONE & YOUNGBERG LLC, as
Underwriter

By _____
Managing Director

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

RIVERSIDE COUNTY

By _____
Authorized Representative

MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By _____
Authorized Representative

EXHIBIT "B"

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the MORENO VALLEY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Riverside County (the "County Board"), in the name of the District, of \$_____ Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes (Riverside County, California) (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on March 22, 2011, and a resolution adopted by the County Board on _____, 2011 (collectively, the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

"Dissemination Agent" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"EMMA" or "Electronic Municipal Market Access" means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" shall mean any of the events listed in Section 3 of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Participating Underwriter" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Authority under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and Beneficial Owners of

the Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 3. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Notes:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), 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) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) 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.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days (as such term is defined in the applicable federal regulations) after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Notes under the Resolution.

Section 4. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 6. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District 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 not be deemed to be acting in any fiduciary capacity for the District, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Note holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Note holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Note holders or Beneficial Owners.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Note holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Note holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: April __, 2011

MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By _____
Name _____
Title _____

EXHIBIT "C"

**ESTIMATED COSTS OF ISSUANCE, INTEREST COST FOR THE NOTES AND
ESTIMATED EARNINGS ON THE NOTE PROCEEDS**

Estimated Costs of Issuance:

Bond Counsel	
Special Tax Counsel	
Disclosure Counsel	
(total Counsel fees, including expenses)	\$70,500
Financial Advisor	\$19,500
Paying Agent Bank	\$1,500
Rating Agency (Moody's)	\$8,100
Official Statement Printing Costs	\$6,000
Underwriter's Discount	\$100,000
Interest Cost @ 1.50% (interest paid on the Notes)	<u>\$200,000</u>
Total Estimated Costs	\$405,600
Less Projected Interest Earnings on Note Proceeds	<u>(\$100,000)</u>
Net Cost of TRANS (projected)	\$305,600

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2011

NEW ISSUE—BOOK-ENTRY ONLY

RATING

Moody's: "___"

See "MISCELLANEOUS—Rating" herein

In the opinion of The Law Offices of Samuel Norber, Special Tax Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Special Tax Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special tax Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Special Tax Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.



\$ _____ *

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2011 Tax and Revenue Anticipation Notes
(Riverside County, California)

Dated: Date of Delivery

Due: _____, 2011

The above-captioned Notes (the "Notes") issued by the Board of Supervisors of Riverside County, California (the "County") on behalf of the Moreno Valley Unified School District (the "District") will be issued in fully registered form, without coupons. The Notes will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases of Notes will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Notes will not receive securities certificates representing their ownership interest in the Notes. The principal of and interest on the Notes will be paid at maturity by _____, Los Angeles, California, as paying agent (the "Paying Agent"), to DTC, which is obligated in turn to remit such principal and interest to its DTC participants for subsequent disbursement to the Beneficial Owners of the Notes, as described herein. See "THE NOTES" herein.

The Notes will not be subject to redemption prior to maturity.

The Notes are issued to finance, in part, the general fund cash flow requirements of the District during Fiscal Year 2010-11.

The Notes, in accordance with California law, are general obligations of the District but are payable only out of taxes, income, revenue, cash receipts and other moneys of the District attributable to Fiscal Year 2010-11 and legally available for payment thereof. See "THE NOTES—Security for and Sources of Payment" herein. The County Resolution (as defined herein) authorizing the Notes requires certain revenues of the District pledged to the payment of the Notes to be held by the Paying Agent in trust in a separate fund until the principal of and interest on the Notes has been paid in full or provision has been made therefor.

THE NOTES ARE SECURED BY AND PAYABLE FROM THE PLEDGED REVENUES OF THE DISTRICT. THE OBLIGATION OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE NOTES IS A GENERAL OBLIGATION OF THE DISTRICT AND NEITHER THE GENERAL FUND, CREDIT NOR TAXING POWER OF THE DISTRICT OR THE COUNTY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Coupon Yield CUSIP†
_____ % _____ % _____

The Notes are offered when, as and if issued by the District and accepted by the Underwriter, subject to the approval of legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel. Certain tax matters will be passed upon for the District by The Law Offices of Samuel Norber, Beverly Hills, California, Special Tax Counsel. Certain disclosure matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel. It is expected that the Notes in definitive form will be available for delivery to DTC in New York, New York, on or about March __, 2011.

STONE & YOUNGBERG

Dated: March __, 2011

*Preliminary, subject to change.

† Copyright 2011, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. The CUSIP number has been assigned by an independent company not affiliated with the District and is included solely for the convenience of the registered owners of the Notes. The District is not responsible for the selection or uses of the CUSIP number and no representation is made as to their correctness on the Notes or as included herein. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

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

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

The issuance and sale of the Notes have not been registered under the Securities Act of 1933 in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy securities in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

Any statement made in this Official Statement involving a forecast, estimate or matter of expectation or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements". Such statements are generally identifiable by the terminology used, such as, "are expected to," "will continue," "is anticipated," "forecast," "expect," "intend," "estimate," "plan," "budget," "project," or similar words and phrases. The achievement of the outcomes projected in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from the expected results expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based occur or fail to occur.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES 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 NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

RIVERSIDE COUNTY

County Administration Center
4080 Lemon Street
Riverside, California 92501
(951) 955-1000
<http://www.countyofriverside.us/>

BOARD OF SUPERVISORS

Bob Buster, *Chairman*
John F. Tavaglione, *Vice Chairman* John J. Benoit, *Member*
Jeff Stone, *Member* Marion Ashley, *Member*

COUNTY ADMINISTRATION

Bill Luna, *County Executive Officer*
Larry W. Ward, *Assessor-County Clerk-Recorder*
Robert Byrd, *Auditor-Controller*
Don Kent, *Treasurer-Tax Collector*
Pamela Walls, *County Counsel*
Kecia Harper-Ihem, *Clerk to the Board of Supervisors*

**MORENO VALLEY UNIFIED
SCHOOL DISTRICT**

25634 Alessandro Boulevard
Moreno Valley, California 92553
(951) 571-7500
<http://www.mvUSD.net/>

BOARD OF EDUCATION

Rick Sayre, *President*
Tracey B. Vackar, *Vice President* Jesus M. Holguin Sayre, *Clerk*
Cleveland Johnson, *Member* Mike Rios, *Member*

DISTRICT ADMINISTRATION

Judy D. White, Ed.D., *Superintendent*
Estuardo Santillan, *Interim Assistant Superintendent, Business Services*

SPECIAL SERVICES

Bond Counsel
Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Disclosure Counsel
Quint & Thimmig LLP
San Francisco, California

Special Tax Counsel
Law Office of Samuel Norber
Beverly Hills, California

Financial Advisor
Fieldman, Rolapp & Associates
Irvine, California

Paying Agent

Los Angeles, California

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p> General 1</p> <p> The District 1</p> <p> Authority for Issuance of the Notes 2</p> <p> Purpose of the Notes 2</p> <p> Continuing Disclosure 2</p> <p> Professionals Involved in the Offering 2</p> <p> Other Information 2</p> <p>THE NOTES 3</p> <p> Authority for Issuance 3</p> <p> Purpose of the Notes 3</p> <p> Description of the Notes 3</p> <p> Security for and Sources of Payment 3</p> <p> Limitations on Remedies 4</p> <p> Investment of Note Proceeds 4</p> <p> Other Funds 5</p> <p> Book-Entry-Only System 5</p> <p> Paying Agent 7</p> <p> Registration and Transfer of Notes 8</p> <p>RIVERSIDE COUNTY INVESTMENT POOL 8</p> <p>CASH FLOW PROJECTIONS 10</p> <p>MORENO VALLEY UNIFIED SCHOOL DISTRICT 15</p> <p> General Information 15</p> <p> Board of Education 15</p> <p> Key Personnel 15</p> <p> Average Daily Attendance and Base Revenue Limit 16</p> <p> Employee Relations 16</p> <p> Retirement Programs 16</p> <p> Post-Employment Benefits 17</p> <p> Insurance 17</p> <p>DISTRICT FINANCIAL INFORMATION 18</p> <p> District Budget 18</p> <p> Accounting Practices 20</p> <p> Financial Statements 21</p> <p> Long-Term Debt 23</p> <p> Capitalized Lease Obligations 23</p> <p> Overlapping Debt 23</p> <p>LOCAL PROPERTY TAXATION 24</p> <p> <i>Ad Valorem</i> Property Taxation 24</p> <p> Taxation of State-Assessed Utility Property 25</p> <p> Alternative Method of Tax Apportionment 25</p> <p>APPENDIX A: THE ECONOMY OF THE DISTRICT</p> <p>APPENDIX B: FINANCIAL STATEMENTS FOR THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2010</p> <p>APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE</p> <p>APPENDIX D: PROPOSED FORM OF OPINION OF BOND COUNSEL</p> <p>APPENDIX E: PROPOSED FORM OF OPINION OF SPECIAL TAX COUNSEL</p>	<p>CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS 26</p> <p> Article XIII A of the California Constitution 26</p> <p> Legislation Implementing Article XIII A 27</p> <p> Article XIII B of the California Constitution 27</p> <p> Proposition 98 28</p> <p> Proposition 111 28</p> <p> Proposition 218 29</p> <p> Proposition 1A 30</p> <p> Future Initiatives 31</p> <p>GENERAL SCHOOL DISTRICT INFORMATION 31</p> <p> State Funding of School Districts 31</p> <p> Basic Aid Districts 32</p> <p> State Funding of Schools Without a State Budget 32</p> <p> County Office of Education 32</p> <p> School District Budget Process 33</p> <p> Temporary Inter-fund Borrowing 34</p> <p> Accounting Practices 34</p> <p> Revenue Sources 34</p> <p>EFFECT OF STATE BUDGET ON REVENUES 35</p> <p> Additional Information; Future State Budgets 42</p> <p> State Funding of School Construction 43</p> <p>TAX MATTERS 43</p> <p> General 43</p> <p> Internal Revenue Service Audit of Tax-Exempt Issues 45</p> <p> Information Reporting and Backup Withholding 45</p> <p>LEGALITY FOR INVESTMENT IN CALIFORNIA 46</p> <p>NO LITIGATION 46</p> <p>APPROVAL OF LEGALITY 46</p> <p>RATING 46</p> <p>FINANCIAL ADVISOR 47</p> <p>UNDERWRITING 47</p> <p>CONTINUING DISCLOSURE 47</p> <p>ADDITIONAL INFORMATION 47</p>
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LOCATION MAP

[TO COME]

OFFICIAL STATEMENT

\$ _____ *

MORENO VALLEY UNIFIED SCHOOL DISTRICT 2011 Tax and Revenue Anticipation Notes (Riverside County, California)

INTRODUCTION

This introduction is not a summary of this official statement (the "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 Notes to potential investors is made only by means of the entire Official Statement.

This Official Statement is provided to furnish information in connection with the sale of \$ _____ * 2011 Tax and Revenue Anticipation Notes (the "Notes") by the Board of Supervisors (the "County Board") of Riverside County (the "County"), in the name and on behalf of the Moreno Valley Unified School District (the "District"), in the principal amount as shown above and on the cover of this Official Statement.

General

The Notes are general obligations of the District but are payable only out of taxes, income, revenue, cash receipts and other moneys of the District attributable to the fiscal year ending June 30, 2011 (the "Fiscal Year 2010-11") and legally available therefor (the "Pledged Revenues"). The District may, under existing law, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated moneys which will be lawfully available for the payment of the Notes. The Notes will be dated their date of delivery and will mature on the date set forth on the cover hereof.

Pursuant to the State of California (the "State") Constitution and laws of the State, specifically Section 53850 *et seq.* of the California Government Code, the District has pledged for the payment of the Notes and the interest thereon certain unrestricted moneys to be received by the District not later than in the months of ____ 2011 and ____ 2011 due to State deferrals, but attributable to Fiscal Year 2010-11. See "CASH FLOW PROJECTIONS."

The District

The District was organized as a unified school district of the State of California in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in the County. During the 2009-10 fiscal year, the District maintained 23 elementary schools, 6 middle schools, 5 high schools (including one continuation school), one adult school, one charter school and three other alternative schools.

The District is governed by a five-member Board of Education (the "District Board"), each member of which is elected to a staggered four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the

* Preliminary, subject to change.

District Board who is responsible for day-to-day District operations, as well as the supervision of the District's other personnel. Judy D. White, Ed.D., ~~Dr. Nicolas D. Ferguson~~ is the Interim Superintendent of the District. Mr. Estuardo Santillan is the Interim Assistant Superintendent, Business Services ~~current Business Manager~~ for the District. See "MORENO VALLEY UNIFIED SCHOOL DISTRICT."

Authority for Issuance of the Notes

The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and pursuant to District and County resolutions, and, under such statute, are obligations of the District, but are payable solely from Pledged Revenues. See "THE NOTES—Authority for Issuance."

Purpose of the Notes

Proceeds of the Notes will be used and expended for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment, and reinvestment, and the discharge of other obligations or indebtedness of the District. See "THE NOTES—Purpose of the Notes."

Continuing Disclosure

The District has covenanted for the benefit of the registered owners of the Notes to provide notice of the occurrence of certain enumerated events, if material, which notice of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notices of material events is summarized in APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Professionals Involved in the Offering

With respect to the Notes, Fieldman, Rolapp & Associates, Irvine, California has acted as Financial Advisor to the District (the "Financial Advisor") (see "MISCELLANEOUS—Financial Advisor"), Bowie, Arneson, Wiles & Giannone, Newport Beach, California, has acted as bond counsel to the District (the "Bond Counsel"), The Law Office of Samuel Norber, Beverly Hills, California, has acted as special tax counsel to the District ("Special Tax Counsel"), Quint & Thimmig LLP, San Francisco, California, has acted as disclosure counsel to the District ("Disclosure Counsel") and _____, Los Angeles, California, has acted as paying agent (the "Paying Agent") to the District in connection with the issuance of the Notes. The Financial Advisor, Bond Counsel, Special Tax Counsel, Disclosure Counsel and the Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Notes.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Information concerning this Official Statement, the Notes, the District or any other information relating to the sale and delivery of the Notes, including the Resolutions and audited financial statements of the District, are available for public inspection and may be obtained by contacting the District's Financial Advisor, Fieldman, Rolapp & Associates, 19900

MacArthur Boulevard, Suite 1100, Irvine, CA 92612, Attention: Mr. Adam Bauer, Principal, telephone (949) 660-7303.

THE NOTES

Authority for Issuance

The Notes are issued pursuant to section 53850 *et seq.* of the California Government Code (the "Government Code"), and pursuant to resolutions adopted by the District Board and by the County Board. The District Board adopted its resolution authorizing the Notes (the "District Resolution") on March 8, 2011. The County Board adopted its resolution authorizing the Notes (the "County Resolution" and, with the District Resolution, the "Resolutions") on March __, 2011.

Purpose of the Notes

The Notes are issued in anticipation of future receipt of moneys intended as general revenues of the District. Proceeds of the Notes will be deposited in the general fund of the District in the treasury of the County and shall be used and expended by the District for any purpose for which the District is authorized to expend funds from their general fund, including, but not limited to, current expenses, capital expenditures, investment and reinvestment and the discharge of other obligations or indebtedness of the District.

Description of the Notes

The Notes will be issued in fully registered form without coupons, initially registered in the name of Cede & Co. ("Cede & Co."), nominee of The Depository Trust Company, New York, New York ("DTC"). As long as the Notes are held by DTC or a successor securities depository, ownership of the Notes will be evidenced by book-entry. See "THE NOTES—Book-Entry Only System."

The Notes will be dated the date of delivery, will mature (without option of prior redemption) on _____, 2011, shall bear interest (payable at maturity and calculated on the basis of a 360-day year of twelve 30-day months) at the rate indicated on the cover page hereof, and will be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. Both the principal of and the interest on the Notes will be payable to the registered owners of the Notes.

The Notes are not subject to redemption prior to their stated maturity date.

Security for and Sources of Payment

Unrestricted Revenues. The principal amount of the Notes, together with interest thereon will be payable only out of taxes, income, revenue, cash receipts and other moneys which are received by the District for Fiscal Year 2010-11 and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). Pursuant to the Act, the District has, as described below, pledged certain Unrestricted Revenues for the payment of the Notes and the interest thereon.

Pledged Revenues. As security for the payment of the interest on and principal of the Notes, the County (for and on behalf of the District) has agreed to deposit in trust in a special fund (the "Repayment Fund"): (i) the first Unrestricted Revenues received by the District in the month ending ____, 2011, until an amount equal to ____% of the aggregate principal amount of

the Notes is on deposit therein, and (ii) the first Unrestricted Revenues received by the District in the month ending on _____, 2011, until an amount equal to 100% of the aggregate principal amount of the Notes plus interest due on the Notes at maturity is on deposit therein, but, in each case, attributable to Fiscal Year 2010-11 (the "Pledged Revenues").

MORENO VALLEY UNIFIED SCHOOL DISTRICT
Amount of Pledge

_____ 2011	_____ 2011
\$ _____	\$ _____

In the event that there have been insufficient Unrestricted Revenues received by the District to permit the deposit into the Repayment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such month, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the interest on and principal of the Notes (all as provided in the Resolutions and sections 53856 and 53857 of the California Government Code).

The Notes are by statute general obligations of the District, and to the extent the Notes are not paid from the Pledged Revenues, the principal of and interest on the Notes shall be paid from any other moneys of the District lawfully available therefor.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Because the County will be in possession of the taxes and other revenues to be set aside to pay the Notes, the District may request the County to invest these funds in the County Treasury Pool. Should the County file bankruptcy while the Notes are outstanding, a court might hold that the owners of the Notes do not have a valid lien on the amounts set aside in the Repayment Fund. In that case, unless the owners could "trace" the funds, the owners would not be secured creditors of the County. There can be no assurance that the owners could successfully so "trace" the Pledged Revenues and other unrestricted revenues, if any, set aside in the Repayment Fund.

Investment of Note Proceeds

Pursuant to the County Resolution, proceeds from the sale of the Notes will be deposited by the Treasurer-Tax Collector of the County (the "County Treasurer") in a proceeds fund to the credit of the District. Moneys in such proceeds fund shall be invested as permitted by the laws of the State and the County Resolution, including the County Pool (hereinafter defined), the State Treasurer's Local Agency Investment Fund and in investment agreements.

The proceeds of the Notes will be invested to mature on or before the maturity date of the Notes. See "RIVERSIDE COUNTY INVESTMENT POOL."

Other Funds

The District maintains certain segregated and special purpose funds outside of its general funds not pledged to the payment of the Notes, which could, if needed and to the extent moneys are available therein, be accessed on a temporary basis through school district legislative action. Such borrowed amounts must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances.

In addition, though not specifically pledged to the payment of the Notes, the District expects to have certain available fund balances which may be used to pay the principal of and interest on the Notes, as shown in the following table.

Fund	_____, 2011 Projected Balance
Cafeteria	
Capital Facilities	
Construction	
Self insurance - Worker's Comp	
Self insurance - Medical	
Total	_____

Book-Entry-Only System

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered initially 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 Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTC), as well as by the New York Stock Exchange, Inc., the America Stock Exchange, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of Notes ("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, but 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 Notes 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 Notes representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 on a 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, the District or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be their responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the District, or the County or the District may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, fully registered physical certificates are required to be printed and delivered.

In the event that the book-entry-only system is discontinued, payments of principal and interest with respect to the Notes shall be payable as described herein under the caption "THE NOTES—Payment," and transfers will be governed as described herein under the caption "Registration and Transfer of Notes."

Paying Agent

Payments of interest on and principal of the Notes will be paid by the Paying Agent directly to DTC. DTC will remit such payments to DTC Participants and such payments will thereafter be paid by DTC Participants to the Beneficial Owners. No assurance is given by the District that DTC or DTC Participants will make prompt transfer of payments to Beneficial Owners. The District is not responsible or liable for payments or failures to pay by DTC or any DTC Participant, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or any DTC Participant, or for any other act or omission of DTC or any DTC Participants. The Paying Agent, the District, the County and the Underwriter of the Notes have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Notes.

The Paying Agent cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments with respect to the Notes received by DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will provide service and act in the manner described in this Official Statement.

The Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of the County Resolution and for purposes of payment of interest on and principal of the Notes, notwithstanding any notice to the contrary received by the Paying Agent; and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Notes; and the Paying Agent will have no responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party, including DTC or its successors (or substitute depository or its successor), except as the registered owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity of the registered owners of the Notes.

So long as the outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the Paying Agent shall cooperate with Cede & Co., as sole registered owner,

or its registered assigns in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Registration and Transfer of Notes

The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York and shall be evidenced by a single Note for each of the Notes. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except as set forth in the County Resolution.

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

Subject to the provisions of the County Resolution, the registration of any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the registration books kept by the Paying Agent for such purpose, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Note for cancellation, and in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the County shall execute and the Paying Agent shall deliver a new Note or Notes of authorized denominations, for a like aggregate principal amount. The Paying Agent shall require the registered owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Paying Agent will keep or cause to be kept, at its office in Los Angeles, California, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly canceled. No Note shall be delivered in lieu of or in exchange for any canceled Notes except as expressly permitted under the terms of the County Resolution.

RIVERSIDE COUNTY INVESTMENT POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been adapted from material prepared by the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County, 4080 Lemon Street, 4th Floor, Riverside, CA 92502, telephone: (951) 955-4908.

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the County's Statement of Investment Policy prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by section 53601 of the Government Code of California.

The County Pool represents moneys entrusted to the Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to participants based on the average daily balance.

The Treasurer's Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Funds on deposit with the Treasurer are managed to ensure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, no single investment of operating funds can exceed five years.

The market value of the Portfolio structure of the County Pool as of December 31, 2010, was as follows:

**PORTFOLIO STATISTICS
Riverside County
As of December 31, 2010**

	Market Value	Weighted Average Maturity	Book Yield
Federal Agency	\$5,357,380,353	0.74	0.72
MMF	485,000,000	0.00	0.26
Commercial Paper	164,901,033	0.20	0.26
Municipal Bonds	13,145,559	0.63	3.30
Bonds - U.S. Treasury	326,131,246	0.81	0.53
Local Agency Obligation	610,000	9.50	1.18
Total Cash and Investments	<u>\$6,447,168,191</u>	<u>1.20</u>	<u>0.67</u>

The portfolio is in compliance with the County's Investment Policy. The investments in the County Pool are scheduled to mature at the times and in the amounts necessary to meet the County's expenditures and other scheduled withdrawals.

CASH FLOW PROJECTIONS

The District has prepared the accompanying cash flow statements covering the actual Fiscal Year 2009-10, projected Fiscal Year 2010-11 and projected Fiscal Year 2011-12. The projected fiscal year 2011-12 cash flow shows and takes into consideration the Notes. Without the proceeds of the Notes, a cumulative cash-flow deficit of \$_____ is anticipated in _____, 201___. The anticipated deficit occurs due to the timing of expenditures occurring prior to the timing of the receipts during the fiscal year.

The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors, and there can be no assurance that such estimates will be achieved.

The District has prepared for use in this Official Statement the following cash flow statements that show actual cash receipts and disbursements for fiscal year 2009-10, and projected cash receipts and disbursements for fiscal year 2010-11.

The District's cash flows reflect what currently is known about the 2010-11 State Budget. Under the 2009-10 State Budget, the monthly payment schedule for K-12 apportionment funding and categorical funding from the State was modified to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months, with certain payment deferrals enacted.

On August 23, 2010, the State Controller, State Treasurer, and Director of Finance exercised their authority pursuant to Government Code Section 16325.5 (e) to shift the \$2.5 billion apportionment deferral for kindergarten through grade twelve (K-12) agencies from October 2010 to September 2011.

The authority to defer K-12 apportionment funds was established by Assembly Bill 5 of the Eighth Extraordinary Session (ABX8 5, Chapter 1, Statutes of 2010) and Assembly Bill 14 of the Eighth Extraordinary Session (ABX814, Chapter 10, Statutes of 2010), collectively referred to as ABX8 14. As provided in ABX8 14, the state may defer up to \$2.5 billion in K-12 apportionment payments in each of the months of July, October, and March during fiscal year 2010-11. These payments may be deferred no longer than 60 days, 90 days, or beyond April 29, 2011, respectively, and at no point in time may the total amount of ABX8 14 outstanding deferrals exceed \$2.5 billion.

Pursuant to ABX8 14, upon concurrence of the State Controller, State Treasurer, and Director of Finance, these three deferrals may each be moved forward or backward one month. As communicated in the California Department of Education's (CDE) April 16, 2010 letter, the state's plan was to impose the deferrals in July, October, and March. However, because the state has not enacted a timely budget, the State Controller, State Treasurer and Director of Finance have just issued notification of their intent to exercise their joint authority to shift the October 2010 deferral to September 2010.

[The July 2010 principal apportionment deferral will be paid in September as previously anticipated. However, \$2.5 billion of the September 2010 advance apportionment will now be deferred, for up to 90 days. The current advance principal apportionment payment for September is \$2.52 billion. This will result in approximately 96.8 percent of the September apportionment being deferred, leaving approximately 3.2 percent of the September payment to be released. Therefore, we do not anticipate funds outside of the principal apportionment being subject to the September deferral.]

The 2009-10 State Budget provides increased flexibility with respect to funding allocated to certain categorical programs through fiscal year 2012-13 and the District expects that the 2010-11 State Budget may also provide flexibility with respect to funding disbursements to California schools, which in turn will affect the projected cash flow presented herein.

The District's cash flows reflect the actual and projected receipt of federal funds authorized pursuant to the American Reinvestment and Recovery Act of 2009. The District cannot predict when the remaining federal funds will be received.

[2009-10 CASH FLOWS TO BE INSERTED]

[2010-11 CASH FLOWS TO BE INSERTED]

[2011-12 CASH FLOWS TO BE INSERTED]

MORENO VALLEY UNIFIED SCHOOL DISTRICT

General Information

The District was organized as a unified school district of the State of California in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in the County. During the 2009-10 fiscal year, the District operated twenty-three elementary schools (with total enrollment of ___ students), six middle schools (with total enrollment of ___ students), five high schools (with total enrollment of ___ students), one adult school (with enrollment of ___ students), one charter school (with enrollment of ___ students), and three other alternative schools (with total enrollment of ___ students).

Board of Education

The District is governed by a five-member Board of Education (the "Board"), 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. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations, as well as the supervision of the District's other personnel. Judy D. White, Ed.D., is the current Superintendent of the District. Mr. Estuardo Santillan is the Interim Assistant Superintendent, Business Services for the District.

<u>Name</u>	<u>Position</u>	<u>Expiration of Current Term</u>
Rich Sayre	President	December 2012
Tracey B. Vackar	Vice President	December 2012
Jesus M. Holguin	Clerk	
Cleveland Johnson	Member	
Mike Rios	Member	

Key Personnel

~~{DESCRIBE CURRENT INTERIM AND VACANT POSITIONS AND PLANS MOVING FORWARD}~~

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE (Second Period Report) Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2004-05	34,131
2005-06	34,385
2006-07	34,755
2007-08	34,562
2008-09	33,899
2009-10	34,187
2010-11	34,187
<i>Projected</i>	
2011-12	34,187

Source: Moreno Valley Unified School District

The District is not a Basic Aid District. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—State Funding of School Districts" herein.

Employee Relations

As of June 30, 2010, the District employed 1,676 certificated professionals and 624 classified employees. District employees, except management and some part-time employees, are represented by two employee bargaining units which are described in the table below.

LABOR ORGANIZATIONS Moreno Valley Unified School District

<u>Labor Organization</u>	<u>Contract Expiration</u>
Moreno Valley Educators Association	June 30, 2011
California Schools Employees' Association	June 30, 2011

Source: Moreno Valley Unified School District

Retirement Programs

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$12,320,739, \$12,192,735 and \$11,370,523 respectively, and equal 100 percent of the required contributions for each year. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The contribution requirements of the plan members are established by State statute. The District's contribution to PERS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$6,943,615, \$7,148,162 and \$7,044,723 respectively, and equal 100 percent of the

required contributions for each year. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Post-Employment Benefits

Upon attainment of age 55 and completion of at least 10 years of District service, an employee may retire and remain covered under one of the medical plan options at the District's expense until age 65. The District's contribution is limited to the amount paid by the District on behalf of current employees for the lowest cost individual health plan offered by the District at the time of payment.

Funding Policy. The District currently finances benefits on a pay-as-you-go basis. In addition, in the prior fiscal year the District committed \$1,500,000 to an irrevocable trust for the sole purpose of paying retiree health benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities ("UAAL") (or funding excess over a period not to exceed thirty years). The District's ARC for the year ended June 30, 2010, was \$1,327,979.

Insurance

[The District has a self-insured retention ("SIR") of \$250,000 for general liability and property losses. The District purchases \$1,000,000 of coverage above the SIR for "all-risk" property-casualty insurance and general liability from Transamerica Insurance Group. The property insurance does not cover damage or destruction caused by flood or earthquake. The District maintains excess general liability coverage from \$1,000,000 to \$24,000,000 per occurrence with the School Excess Liability Fund.]

The District has a SIR of \$1,000,000 for workers' compensation claims. The claims are managed by a third party administrator, Hazelrigg Risk Management Services, Inc., which is licensed by the State of California. The District purchases \$10,000,000 of excess coverage above the SIR through Hanover Insurance Company.]

The District participates in two joint powers agreements ("JPAs") for insurance programs: School Excess Liability Fund ("SELF"), and Southern California School Employee Benefit Association ("SCSEBA"). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation to the JPAs. SELF provides excess liability coverage as specified above, SCSEBA provides medical and dental coverage for employees.

DISTRICT FINANCIAL INFORMATION

District Budget

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to 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 8 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 office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will 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, will determine if the budget allows the district to meet its current obligations and will 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 superintendent's 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 September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense 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, will 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.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any

school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

In connection with its Second Interim Reports for 2009-10, the District were certified as "qualified," because, based upon then current projections, the District might not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under current law, the District Board of Education approves an adopted budget by July 1 of each fiscal year. The following table shows the District's budget for fiscal year 2009-10 and its adopted budget for fiscal year 2010-11.

**GENERAL FUND BUDGET
FISCAL YEARS 2009-10 and 2010-11
Moreno Valley Unified School District**

	Budget FY 2009-10	Actual FY 2009-10	Adopted FY 2010-11
Revenues:			
Revenue limit sources		\$170,982,112.70	\$169,957,346.60
Federal sources		29,605,911.28	18,506,184.00
Other State sources		58,333,239.96	59,797,231.62
Other Local sources		3,634,648.51	1,637,569.50
Total revenues		262,555,912.45	246,989,333.72
Expenditures:			
Certificated salaries		139,407,339.31	132,122,804.60
Classified salaries		42,406,458.82	41,425,587.54
Employee benefits		48,920,277.40	45,013,206.29
Books & supplies		13,103,154.94	11,925,555.10
Contract services & operating expenditures		24,351,304.85	26,420,897.19
Capital outlay		274,730.55	276,057.37
Other outgo		1,915,324.54	1,890,962.00
Transfers of indirect/direct support costs		(166,963.72)	(302,000.00)
Total expenditures		270,211,626.69	258,773,170.09
Excess of revenues over expenditures		(7,655,714.24)	11,874,836.37
Other financing sources (uses):			
Interfund Transfers			
Transfers in		0.00	0.00
Transfers out		1,702,092.48	300,000.00
Other Sources (Uses)			
Sources		0.00	0.00
Uses		0.00	0.00
Contributions		974,734.98	0.00
Total other financing sources (uses)		(727,357.50)	300,000.00
Net Increase (Decrease) in Fund Balance		(8,383,071.74)	(12,174,836.37)
Beginning Fund Balance, July 1		58,870,758.62	50,487,686.88
Ending Balance, June 30		\$50,487,686.88	\$38,312,850.51

Source: Moreno Valley Unified School District

Accounting Practices

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

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2008, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2010, are included in Appendix B hereto.

COMPARATIVE FINANCIAL DATA—GENERAL FUND FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010

BALANCE SHEET

	Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
ASSETS					
Cash and investments:	\$33,343,621	\$20,440,961	\$14,932,536	\$19,750,053	\$ 4,419,331
Accounts Receivable:	9,986,068	30,464,563	31,176,027	49,727,612	54,368,471
Due from other funds	—	—	1,465,631	1,465,631	1,465,631
Stores inventory	—	—	827	—	—
Other current assets	827	827	—	—	—
Total Assets	<u>43,350,514</u>	<u>50,906,351</u>	<u>47,575,021</u>	<u>70,944,123</u>	<u>60,254,260</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	8,160,455	7,452,784	4,194,884	9,256,825	5,083,026
Deferred revenue	3,526,442	1,383,077	989,781	3,768,211	4,683,555
Due to other funds	—	—	—	—	—
Total liabilities	<u>11,686,897</u>	<u>8,835,861</u>	<u>5,184,665</u>	<u>13,025,036</u>	<u>9,766,581</u>
Fund Balance:					
Reserved	50,000	50,000	15,520,103	3,123,228	50,000
Designated	5,231,477	5,591,088	—	4,149,431	26,304,459
Undesignated	26,382,140	36,429,402	26,870,253	50,646,428	24,133,220
Total Fund Balance	<u>31,663,617</u>	<u>42,070,490</u>	<u>42,390,356</u>	<u>57,919,087</u>	<u>50,487,679</u>
Total Liabilities and Fund Balance	<u>\$43,350,514</u>	<u>\$50,906,351</u>	<u>\$47,575,021</u>	<u>\$70,944,123</u>	<u>\$60,254,260</u>

Source: Moreno Valley Unified School District audited financial statements.

COMPARATIVE FINANCIAL DATA - GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010

INCOME AND EXPENSE STATEMENT

	Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
REVENUES					
Revenue Limit Sources	\$180,548,224	\$198,237,901	\$202,609,637	\$196,722,889	\$170,982,113
Federal Sources	21,642,534	21,615,694	20,051,102	33,475,023	29,605,911
Other State Sources	53,447,208	66,637,854	68,294,655	54,012,681	58,333,240
Other Local Sources	2,531,327	3,270,024	5,938,877	2,223,711	3,634,64
Total Revenues	<u>258,167,284</u>	<u>289,961,273</u>	<u>296,894,271</u>	<u>296,434,305</u>	<u>262,555,912</u>
EXPENDITURES					
Certificated salaries	130,326,348	140,363,225	150,846,240	149,150,925	139,407,339
Classified salaries	37,212,156	40,716,841	43,574,236	43,700,417	42,406,459
Employee benefits	46,018,858	47,158,067	51,244,882	48,754,700	48,920,277
Books and supplies	18,670,052	16,351,612	15,457,083	10,222,587	13,103,155
Contract services and operating expenses	22,008,488	29,441,717	28,151,305	23,457,983	24,351,305
Capital outlay	3,733,883	2,078,625	4,119,306	2,606,296	274,731
Other outgo	2,293,963	2,336,382	2,345,157	1,942,409	1,915,325
Allocation of Indirect Costs	(346,761)	(446,680)	(609,903)	(583,511)	(166,964)
Debt service	—	—	—	—	—
Total Expenditures	<u>259,916,995</u>	<u>277,999,190</u>	<u>295,128,306</u>	<u>279,251,806</u>	<u>270,211,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,749,702)</u>	<u>11,962,084</u>	<u>1,765,955</u>	<u>17,182,499</u>	<u>(7,655,714)</u>
Other financing sources					
Operating transfers in	308,652	126,000	0	14,392	0
Operating transfers out	1,865,492	1,681,210	1,446,099	1,654,720	1,702,092
Contributions	—	—	—	938,224	974,735
Total financing sources (uses)	<u>(1,658,640)</u>	<u>(1,555,210)</u>	<u>(1,446,099)</u>	<u>(702,104)</u>	<u>(727,357)</u>
Net change in fund balances	(3,406,542)	10,406,874	319,866	1,648,0395	(8,383,072)
Fund Balance, July 1	33,979,645	31,663,616*	42,070,490	4,293,0356	58,870,759
Fund Balance, June 30	<u>\$30,573,103</u>	<u>\$42,070,490</u>	<u>\$42,390,356</u>	<u>\$5,887,0750</u>	<u>\$50,487,687</u>

Source: Moreno Valley Unified School District audited financial statements.

*adjusted balance

Long-Term Debt

	<u>Date of Issuance</u>	<u>Original Par Amount</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2010</u>
General Obligation Bonds (1)				
2004 Series A	7/7/04			
2007 Refunding Bonds (CIB)	4/12/07			
2007 Refunding Bonds (CAB)	4/12/07			
Certificates of Participation (2)				
[DETAIL?]				
Qualified Zone Academy Bonds (2)				
Special Tax Bonds (3)				
[DETAIL?]				

- (1) General obligation bonds are secured by and payable from *ad valorem* taxes levied against properties in the District and are not a direct obligation of the District.
- (2) These obligations are payable from the General Fund of the District.
- (3) Special tax bonds are issued by various community facilities districts formed by the District and are secured by and payable from special taxes levied and collected within the community facilities districts. Further information regarding the community facilities districts can be obtained from the District.

Capitalized Lease Obligations

The District leases various buildings and equipment under agreements that have been capitalized and recorded as long term liabilities in the financial statements. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective October 1, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Moreno Valley Unified School District**

[2010-11 Assessed Valuation: \$10,475,189,610
 Redevelopment Incremental Valuation: 3,081,575,529
 Adjusted Assessed Valuation: \$ 7,393,614,081

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 10/1/10</u>
Metropolitan Water District	0.424%	\$ 1,081,518
Eastern Municipal Water District, I.D. No. U-22	55.870	2,531,470
Riverside City Community College District	13.101	16,601,732
Moreno Valley Unified School District	100.	44,163,521 (2)
City of Riverside	2.750	457,600
City of Riverside Community Facilities District No. 92-1	100.	8,790,000
Moreno Valley Unified School District Community Facilities Districts	100.	88,125,000
Eastern Municipal Water District Community Facilities Districts	100.	8,535,000
City of Moreno Valley Community Facilities Districts	100.	20,120,000
City of Riverside Assessment District No. 1 and Canyon Springs Assessment District	100.	<u>2,080,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$192,485,841
Less: Moreno Valley Community Facilities District Nos. 3 and 87-1 (supported by tax increment revenues)		<u>10,815,000</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$181,670,841
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	5.078%	\$ 37,369,975
Riverside County Pension Obligations	5.078	19,047,578
Riverside County Board of Education Certificates of Participation	5.078	367,647
Moreno Valley Unified School District Certificates of Participation	100.	21,355,000
City of Moreno Valley Certificates of Participation	80.109	63,578,508
City of Riverside General Fund and Pension Obligations	2.750	<u>9,633,113</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$151,351,821
Less: Riverside County self-supporting obligations		<u>767,920</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$150,583,901
 GROSS COMBINED TOTAL DEBT		 \$343,837,662 (3)
NET COMBINED TOTAL DEBT		\$332,254,742

- (1) Based on 2009-10 ratios.
 (2) Excludes tax and revenue anticipation notes to be sold.
 (3) 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 (\$44,163,521) 0.42%
 Total Gross Direct and Overlapping Tax and Assessment Debt..... 1.84%
 Total Net Direct and Overlapping Tax and Assessment Debt 1.73%

Ratios to Adjusted Assessed Valuation:
 Combined Direct Debt (\$65,518,521) 0.89%
 Gross Combined Total Debt 4.65%
 Net Combined Total Debt 4.49%

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

Source: California Municipal Statistics, Inc.

LOCAL PROPERTY TAXATION

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property located in the 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. The "Secured roll" is then part 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 installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 20, respectively. A penalty of 10% 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% per month from the time of becoming tax delinquent 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.

Property taxes on the unsecured roll are due on February 1 and if unpaid become delinquent on August 1. A penalty of 1% attaches immediately to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The 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 possessor's interest belonging or assessed to the delinquent taxpayer.

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.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the

"Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds or more of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the voters of the district, but only if certain accountability measures are included in the proposition.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIII A has subsequently been amended to permit reduction of "full cash value" in the event of declining property values caused by substantial damage, destruction or other factors, to provide that there would be no increase in "full cash value" in the event of

reconstruction of property damaged or destroyed in a disaster, and in various other minor or technical ways.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

State law permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration value of the damaged property.

Legislation Implementing Article XIII A

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

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

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

Article XIII B of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIII B to the California Constitution ("Article XIII B"). Under Article XIII B, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit was originally to be based on certain fiscal year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, population, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any consecutive two-year period exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIII B were modified by Proposition 111 in 1990 (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 111").

Proposition 98

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

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

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

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. *Annual Adjustments to Spending Limit.* The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. *Treatment of Excess Tax Revenues.* "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year

are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school District's base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. *Exclusions from Spending Limit.* Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.
- d. *Recalculation of Appropriations Limit.* The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. *School Funding Guarantee.* There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 218

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without

a two-thirds vote. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

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

Article XIIC 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 duty on the County to levy a property tax sufficient to pay debt service on the districts' outstanding general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the District outstanding general obligation bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes which are pledged as security for payment of the District's outstanding general obligation bonds. Legislation adopted in 1997 provides that Article XIIC 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 which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce any local sales tax rates or alter the method of allocation, (ii) shift property taxes from local governments to schools or community colleges, (iii) make changes in how property tax revenues are shared among local governments without two-thirds approval of both houses of the State legislature and (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 (i) the Governor proclaims that the shift is needed due to a severe financial hardship of the State, (ii) the State Legislature approves the shift with a two-thirds vote of both houses and (iii) certain other conditions are met. 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 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 such mandates. This provision does not apply to mandates relating to schools, community colleges or to those mandates relating to employee rights.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 111, 218, 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 the District revenues or the District's ability to expend revenues.

GENERAL SCHOOL DISTRICT INFORMATION

The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see "DISTRICT FINANCIAL INFORMATION."

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance ("A.D.A."). If a district's total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between the revenue limit and a district's actual property tax receipts (after any redevelopment agency tax increment or other deductions or "shifts" that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December ("First Period A.D.A.") and April ("Second Period A.D.A.").

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district's current year "component" revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district's A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for the District to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. A.D.A. calculations are based on actual attendance and do not include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

Basic Aid Districts

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of \$120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid District.

State Funding of Schools Without a State Budget

On May 29, 2002, the Court of Appeal of the State for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the State constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8.0 of the State constitution does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis et al* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003-04 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

County Office of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the "County Office of Education" (the "County Office" herein) in each county provides the staff and organization that carries out the activities and policies of the County Superintendent and county board of education for that county.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and the District must provide its County Office with scheduled interim reports throughout the fiscal year.

County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

The District is under the jurisdiction of, and is served by, the County Office for Riverside County.

School District Budget Process

School districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School District's annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to 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 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, and will determine if the budget allows the district to meet its current obligations and 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. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing 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 will notify the district's governing board of the determination and 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 will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also 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 are required by statute to file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March ___th covering financial operations from November 1 through January 31st. 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 by June 1st covering financial operations from February 1st through April 30th. 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, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Temporary Inter-fund Borrowing

The Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year or (b), if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular such transfer, other State law, grant or contractual restrictions, or in the case of proceeds of tax-exempt obligations, federal tax law, may apply and may further restrict the use of such cash.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

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, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance ("A.D.A."). The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

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

The revenue limit sources comprised approximately 62.31% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 63.4% of such revenues in fiscal year 2010-11.

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, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 15.10% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 7.50% of such revenues in fiscal year 2010-11.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 21.60% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 23.00% of such revenues in fiscal year 2010-11.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, transportation fees, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 0.99% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 0.66% of such revenues in fiscal year 2010-11.

EFFECT OF STATE BUDGET ON REVENUES

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. In the aggregate, the State General Fund provides approximately 58% of the estimated total statewide expenditures for K-12 education programs. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION—State Funding of Education"). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. See "DISTRICT FINANCIAL INFORMATION—Financial Statements" for information regarding revenues received by the District from all State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND

STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

California Teachers' Association v. Gould. During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. (See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 98”). The State legislature characterized the overfunded amounts as “loans” to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans was approximately \$1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association (“CTA”), which sought to void the obligation to repay the loan amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans were required to be repaid over an eight-year period, with K-14 schools contributing \$825 million from funds allocated to education under Proposition 98, and the State contributing the balance of \$938 million. The schools' contribution of \$825 million was counted toward the Proposition 98 guarantee in future years.

Education Provisions of the California State Budget. The Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a 2/3 vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to any such annual fluctuations. Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website, where recent official statements for State bonds are posted; (ii) the California State Director of Finance's Internet home page which includes the State's audited financial statements, various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts; (iii) the California Department of Finance's internet home page which includes the text of the budget and information regarding the State budget; and (iv) the State Legislative Analyst's office which prepares analyses of the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the County, the Underwriter or the owners of the Certificates to provide State budget information to the District or the owners of the Certificates. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

Recent State Budget Difficulties and Initiative Responses. In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up

treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next, to reduce the ending fiscal year's base; or by suspending Proposition 98, as the State did in 2004-05.

Existing settle-up obligations are estimated by the Legislative Analyst to total \$4.3 billion, consisting of \$1.3 billion for fiscal year 2005-06, \$1.6 billion for fiscal year 2004-05, and \$1.4 billion for prior years. Under current law, the obligations for the prior years, fiscal year 1995-96 through fiscal year 2003-04, will be repaid to the education budget at \$150 million per year beginning in fiscal year 2006-07. The California Teachers' Association filed a lawsuit against Governor Schwarzenegger in 2005 seeking to force the State to fund schools the full amount of the outstanding obligations. The parties have agreed to a settlement of this dispute through additional annual funding of approximately \$400 million for seven years, commencing in fiscal year 2007-08. Settlement funds are dedicated to class-size reduction, professional development, hiring counselors, and other specific expenditures for participating low-achieving schools.

Proposition 1A. Beginning in fiscal year 1992-93, the State has satisfied a portion of its Proposition 98 obligations by shifting part of the 1% local *ad valorem* 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. In response to a statewide ballot initiative sponsored by affected local agencies, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as "Proposition 1A" at the November 2004 election.

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Beginning in fiscal year 2008-09, the State will be able to divert up to 8% of local property tax revenues for State purposes (including, but not limited to, funding K through 12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

2010-11 State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

Governor's Proposed Budget. The Governor submitted his proposed 2010-11 Budget (the "2010-11 Proposed Budget") to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget assumed that, without corrective action, the State would face a deficit of \$19.9 billion, comprised of a shortfall of \$6.6 billion from the 2009-10 fiscal year, a 2010-11 shortfall of \$12.3 billion and a proposed reserve of \$1 billion. The 2010-11 Proposed Budget proposed initial spending reductions of \$8.5 billion. Proposed reductions included program eliminations, further reductions to various health and human services programs, a \$2.4 billion reduction to the anticipated level of funding for Proposition 98, substantial changes to employee compensation, and reductions to the Department of Corrections and Rehabilitation. In addition, the 2010-11 Proposed Budget relied on \$6.9 billion in additional federal funding and proposed an additional \$4.6 billion in spending reductions if the federal funding was not received. The

2010-11 Proposed Budget also included \$2.4 billion in increased revenues and external borrowing to meet cash needs during the fiscal year. The Governor called the Legislature to a special session to adopt \$8.9 billion of the proposed \$19.9 billion in budget solutions.

LAO Report. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of an \$18.9 billion budget shortfall was reasonable but was \$3.1 billion smaller than the shortfall estimated by the LAO and would be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relied heavily on federal relief, which the State was unlikely to receive in the amounts requested.

Special Session Legislation. On March 11, 2010, the California Legislature adjourned the special session called by the Governor. The Legislature adopted a package of bills to reduce the deficit by more than \$4 billion. The Governor vetoed two bills that contained a majority of the deficit reductions. Enacted special session legislation eliminated the gasoline sales tax offset by an increase in the per gallon excise tax on gasoline, resulting in an estimated reduction to the budget problem of \$1.4 billion. Additionally, the Legislature passed legislation designed to provide more flexibility in managing cash by allowing the State to delay approximately \$5 billion of scheduled payments to schools, universities and local governments.

May 2010 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. The Governor's May 2010 Budget Revision estimated a general fund budget gap of \$19.1 billion, \$7.7 billion for the 2009-10 fiscal year, \$10.2 billion for the 2010-11 fiscal year, and a modest reserve of \$1.2 billion. The May Revision proposed \$12.4 billion in spending reductions and alternative funding solutions, borrowing and fund shifts totaling approximately 10% of the solutions and new revenues, representing 5% of the package solutions. Major spending reduction proposals included reductions of \$4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of \$2.1 billion by reducing State employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing \$1.2 billion in savings.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall was reasonable. However, the LAO Report advised the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urged the Legislature to suspend the Proposition 98 minimum guaranty. The LAO predicted that even if the Legislature approved all of the painful cuts and realized the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between \$4 billion and \$7 billion would be likely to persist in future years.

Governor Declares Financial State of Emergency; Legislative Session Ends Without Budget Passage. On July 28, 2010, the Governor declared a financial state of emergency and ordered 150,000 State workers to take three furlough days per month. The legislative session ended on August 31, 2010 and lawmakers voted on two competing budget proposals. Both budget plans failed on party-line votes.

The Democrat's budget proposal included tax proposals of approximately \$4.5 billion from an oil severance tax, delaying corporate tax breaks and income tax increase paired with reduced sales tax. It cut spending by \$8.3 billion, by suspending Proposition 98 and funding schools at approximately \$3 billion less than required under Prop. 98. The plan also included a tax swap that would increase some of the personal income tax rates and the vehicle license fee

rate and lower the State's sales tax rate, to raise \$1.8 billion in revenues in 2010-11 and \$2.2 billion in 2011-12. Had the Democrat's proposal passed the Legislature, the Governor was not expected to sign it.

The Governor issued an order on July 1, 2010 reducing over 200,000 State employees' pay to the federal minimum wage until the budget impasse was resolved. On July 16, 2010 a Sacramento County Superior Court judge denied the administration's request for a temporary restraining order that would have forced the State Controller to begin paying the minimum wage. The State Controller said he would not follow the order unless told to do so by a court. On August 25, 2010, the Sacramento County Superior Court sided with the State Controller, ruling that the challenge to the governor's minimum wage order has enough merit to require a full hearing. The hearing is not expected to take place before November 2010.

On August 23, 2010, in an effort to conserve cash and delay the need to issue IOUs, State officials began delaying school payments of \$2.5 billion a month in September through December. This comes after a \$2.5 billion deferral in July.

On August 18, 2010, the California Supreme Court issued a stay of the temporary restraining order of the Alameda County Superior Court issued on August 9, 2010, which would have prohibited the Governor from imposing three furlough days on State workers. As a result of the stay, furloughs of State workers were to continue until arguments in a larger case about their legality could be heard on September 8, 2010. The court is expected to issue its ruling on the matter within 90 days of the hearing date. Unless courts deem the Governor's action illegal and order the State to pay for lost wages, State employees will not recover furlough wages.

In November 2010 voters will vote on several amendments that could affect the budget process. Proposition 22 would put local government and transportation funds out of reach of State legislators. Proposition 26 would require a two-thirds supermajority in the legislature to pass many fees, levies, charges and tax revenue allocations that under existing rules can be enacted by a simple majority vote. Proposition 25 would lower the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority.

2010-11 Budget Passes 100 Days Late. The Legislature passed the \$87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by \$963 million in order to raise the reserve level from \$375 million to \$1.3 billion. Total 2010-11 Budget expenditure reductions are \$8.4 billion. The 2010-11 Budget assumes federal funds of \$5.4 billion and other solutions of almost \$5.5 billion.

Expenditure Reductions.

Budget and Pension Reform. The Legislature approved a measure to place a budget reform constitutional amendment before the voters at a future statewide election, intended to increase the State's budgetary reserves and stabilize the State's financial health over time. The measure would double the maximum size of the Budget Stabilization Account and provide more stringent deposit requirements.

The 2010-11 Budget Package includes legislation proposed by the Governor to decrease pension benefits for State employees hired in the future. Pension reform rolls back retirement formulas used to calculate pension payments, permanent increases in pension contributions, and is designed to prevent pension spiking and improve transparency of the State's pension liabilities and costs.

Proposition 98 – K-14 Education. The Legislature suspended Proposition 98 minimum guaranty to provide \$49.7 billion in spending on K-14 Education in 2010-11. Settle-up funds of \$300 million are provided in the 2010-11 Budget to meet the State's outstanding 2009-10 Proposition 98 settle-up obligation. In addition, related budget bills provide K-12 education with \$1.5 billion in special one-time federal funding. The 2010-11 Budget Package defers \$1.9 billion in additional K-14 payments to July 2011.

Employee Compensation, Health and Social Services, Criminal Justice. The 2010-11 Budget provides \$1.6 billion in personnel cost reductions from savings from recent agreements with unions and reductions, anticipated reductions from future union agreements, and the administration's "workforce cap" which consists of reductions in hiring and reduced operating costs from the workforce cap. The 2010-11 Budget provides \$300 million in reductions to the In-Home Supportive Services Program and \$187 million in savings to Medi-Cal. The 2010-11 Budget package assumes a total of \$1.1 billion in General Fund savings within the Department of Corrections.

Federal Funding. The 2010-11 Budget package assumes that the federal government will provide federal funding or approval for certain reductions in State costs or service levels resulting in the ability to reduce General Fund costs by \$5.4 billion. About \$1.3 billion has been approved by the Congress and the President. Most of the federal funding assumed in the 2010-11 Budget has yet to be approved by Congress.

Revenue-Related Solutions. The 2010-11 Budget extends for two additional tax years the previously enacted temporary suspension of businesses' ability to use net operating losses to reduce tax liabilities, projected to increase State revenues by \$1.2 billion in 2010-11 and by \$400 million in 2011-12. The budget plan assumes \$1.2 billion in one-time revenue from the sale of 11 State office properties. The Budget plan includes \$2.7 billion of loans, loan repayment extensions, transfers and fund shifts from special funds.

LAO Report. The LAO estimates that well over two-thirds of the 2010-11 Budget solutions are one-time or temporary in nature, meaning that California will continue to face sizable annual budget problems in 2011-12 and beyond.

Governor's 2011-12 Proposed Budget. On January 10, 2011 the Governor released his proposed budget for fiscal year 2011-12 (the "Proposed Budget"). On January 12, 2011 the LAO released its Overview of the Governor's Budget (the "LAO Overview"). The following information has been adapted from excerpted portions of the LAO Overview.

The Proposed Budget estimates that, without corrective action by the Legislature and the Governor, the State would end 2011-12 with a \$25.4 billion deficit. Specifically, the administration estimates that the General Fund will end 2010-11 with a deficit of \$8.2 billion (as opposed to the \$1.5 billion reserve balance assumed when the 2010-11 Budget was adopted). For 2011-12, the Governor estimates that the gap between expenditures and revenues will be \$17.2 billion.

In total, the Governor proposes \$26.4 billion in budget solutions. If adopted and achieved in full, the Governor's budget plan would leave the State with a reserve of around \$1 billion at the end of 2011-12. The Governor proposes to reduce current-law General Fund state expenditures by \$12.5 billion. These expenditure-related solutions include both reductions in services and benefits and use of other funding sources in lieu of the General Fund. The Governor proposes a total of \$14 billion in new revenues, of which \$3 billion is attributed to 2010-11. The additional revenues to be deposited in the General Fund would result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools and community

colleges (reducing the net effect of these new revenues to \$12 billion). The remaining \$1.9 billion in solutions comes from borrowing from special funds and other sources.

The LAO reports that two significant and interrelated themes run through the Governor's budget package: (1) his plan to submit a proposed extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and (2) his plan to restructure the state-local relationship in the delivery of services by shifting funding and responsibility to local governments for those services (referred to herein as "realignment"). In addition, the Governor proposes dramatic changes in the area of local economic development by proposing the elimination of redevelopment agencies.

The LAO notes that the Governor proposes to put two ballot measures before the voters in a June special election: (1) a constitutional measure to extend the temporary tax increases by another five years and to dedicate two of these revenues to realignment and (2) a measure to change state law provisions regarding certain tobacco product excise taxes to allow the funds to be used in the Medi-Cal Program. The LAO expects that the Governor will ask that a separate measure be placed on a future election ballot to allow new mechanisms for funding redevelopment at the local level.

The administration has proposed an accelerated budget process with a target date of March 1 to have all of the enabling legislation necessary to implement the budget solutions in place. This approach would allow the Legislature and the administration to put in place the budget solutions required to address the budget deficit in March and then finalize action on the budget bill—presumably in June—prior to the state legislature's June 15 constitutional deadline for adopting a balanced budget. In the view of the administration, this would allow for the incorporation of any updated May Revision forecasts, as well as the results of the special election.

While the Governor's revenue proposals result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the Proposed Budget would result in a small programmatic funding decline for K-12 education and more significant reductions for community colleges and child care programs. The Proposed Budget reduces total Proposition 98 spending by less than 1% from the current year to the budget year. Under the Governor's plan, K-12 funding would change negligibly from 2010-11 to 2011-12. By comparison, community college district funding would be reduced \$361 million or 6.3%. The Governor's Proposition 98 plan includes no cost-of-living adjustments but funds enrollment growth for K-12 education (0.22%) and community college districts (1.9%).

Under the Governor's plan, K-12 programmatic funding per student decreases by about \$100 or 1.4% from 2010-11 to 2011-12. Most of the decline in K-12 per student funding is attributable to the loss of federal stimulus funding. Under the Proposed Budget, K-12 per student programmatic funding in 2011-12 would be 6.4% lower than the fiscal year 2007-08 level.

The most substantial component of the Governor's Proposition 98 plan consists of \$2.2 billion in new inter-year deferrals from 2011-12 to 2012-13—\$2.1 billion from K-12 revenue limit payments and \$129 million from community college district apportionment payments. In addition to the inter-year deferrals, the Governor proposes to continue intra-year deferrals to help with the State's cash flow problems. The Governor's intra-year deferral plan would delay \$2.5 billion in K-12 payments and \$200 million in community college district apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

The Governor proposes to achieve \$750 million in Proposition 98 child care savings by making four major policy changes: (1) reducing child care subsidies by about 35%; (2) reducing

income eligibility for subsidized child care from 75% to 60% of state median income, (3) eliminating subsidized child care for 11- and 12-year olds, and (4) reducing a portion of CalWORKs caseload based on reform proposals. After accounting for various other federal and state adjustments, the Governor's proposal would reduce total 2011-12 funding for Proposition 98-supported child care programs by about \$652 million (29%) and child care slots by about 9,900 (3%) compared to 2010-11.

The Governor proposes a \$400 million reduction to community college apportionments. In addition, the Governor reduces Proposition 98 funding for the Division of Juvenile Facilities by \$8.7 million to reflect a three-year phase-out linked with his realignment proposal and provides no funding authority for the State's student and teacher data systems pending a comprehensive review of the two projects. In contrast to the proposed reductions, the Governor proposes two notable K-12 augmentations. First, the Governor provides \$90 million to cover the ongoing cost of about 35 K-14 mandates. Though this is the same level of support as provided in the current year, the State used onetime funds in 2010-11. Second, the Governor provides \$43 million in ongoing funding (and \$11 million in one-time funding) for the Emergency Repair Program, which provides grants to low-performing schools to pay for school facility repairs needed for public health or safety reasons.

The Governor's plan also includes a two-year extension of existing K-14 fiscal relief options. For both school districts and community colleges, the Governor proposes to extend "categorical flexibility" from 2012-13 through 2014-15, reducing restrictions on funding associated with certain categorical programs. For school districts, the plan also would extend the existing K-3 Class Size Reduction Program from 2011-12 through 2013-14. Additionally, for school districts, the Governor proposes extending for two years the existing statutory provisions that reduce routine maintenance requirements, suspend deferred maintenance requirements, postpone instructional materials purchases, and lower unrestricted budget reserve requirements.

The Proposed Budget would also eliminate the Office of the Secretary of Education, resulting in estimated non-Proposition 98 General Fund net savings of roughly \$400,000 in the current year and \$1.6 million in the budget year.

Although the LAO concludes that the Proposed Budget's estimate of the size of the budget problem and its assumptions of the effectiveness of the proposed solutions are generally reasonable, it finds that significant political and practical obstacles to the proposed solutions may exist and notes that, in total, around \$12 billion of the Governor's proposed budget solutions are dependent upon voter approval in June. The LAO credits the Governor's efforts to craft a budget plan that is heavily focused on multiyear and ongoing solutions. The LAO's early assessment of the out-year effects of the Proposed Budget is somewhat less favorable than the administration's, but the LAO concludes that the Proposed Budget would go a long way toward eliminating the State's persistent budget gap.

Additional information regarding the Proposed Budget for fiscal year 2011-12 may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget.

Additional Information; Future State Budgets

Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California 2010 Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a

summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District have no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the District, the District will be required to make adjustments to its budget.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of \$13.05 billion, \$11.40 billion of which were for K-12 school facilities and \$1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of \$12.3 billion, \$10.0 billion of which is for K-12 school facilities and \$2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes \$7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

TAX MATTERS

General

In the opinion of ~~The Law Offices of Samuel Norber~~ ("Special Tax Counsel"), based on existing statutes, regulations, rulings and court decisions, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Special Tax Counsel is set forth in APPENDIX D hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to assure that interest on the Notes will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the Notes being includable in federal gross income, possibly from the date of issuance of the Notes. The opinion of Special Tax Counsel assumes compliance with these covenants. Special Tax Counsel

has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may affect the value of, or the tax status of interest on the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Special Tax Counsel is further of the opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Special tax Counsel observes, however, that the interest on the Notes is not included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Notes should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the Notes, (ii) interest with respect to the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Notes, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Notes.

If the initial offering price to the public (excluding bond houses and brokers) at which the Notes are sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which the Notes are sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of the Notes (other than a purchaser who holds the Notes as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Note constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as interest on the Notes. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Note and the basis of such Note acquired at such initial offering price by an initial purchaser of each such Note will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase such Notes after the initial offering of a substantial amount thereof. Owners who do not purchase such Notes in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Notes. All holders of such Notes should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Note based on the purchaser's yield to maturity in such Notes, except that in the case of such a Note callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Note. A purchaser of such a Note is required to decrease his or her adjusted basis in such Note by the amount of note premium attributable to each taxable year in

which such purchaser holds such Note. The amount of note premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Notes should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of note premium attributable to each taxable year and the effect of note premium on the sale or other disposition of such a Note, and with respect to the state and local tax consequences of owning and disposing of such a Note.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized Special Tax Counsel. Special Tax Counsel expresses no opinion as to the effect on any Note or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Special Tax Counsel.

Although Special Tax Counsel has rendered an opinion that interest on the Notes is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Notes, and the accrual or receipt of interest on the Notes may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax exempt status or market price of the Notes.

Internal Revenue Service Audit of Tax-Exempt Issues

The Internal Revenue Service ("IRS") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar obligations).

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March __, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup

withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and a ~~Certificate~~ certificate of the District from the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Notes. 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 collect pledged revenues or contesting the District's ability to issue and retire the Notes.

There may be one or more lawsuits and claims pending against the District. The aggregate amount of the liabilities of the District which may result from existing suits and claims ~~will is not expected to~~ not materially affect the District's ability to repay the Notes.

APPROVAL OF LEGALITY

Legal matters incident to the issuance and delivery of the Notes are subject to the approving opinion of ~~Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel. See APPENDIX D—FORM OF OPINION OF BOND COUNSEL. Certain tax matters will be passed upon for the District by The Law Offices of Samuel Norber, Beverly Hills, California, as Special Tax Counsel. See APPENDIX E—FORM OF OPINION OF SPECIAL TAX COUNSEL. Certain disclosure matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. The compensation of Bond Counsel, Special Tax Counsel and Disclosure Counsel, in each case, is contingent upon the sale and delivery of the Notes.~~

RATING

Moody's Investors Service (Moody's") has assigned the rating of "___" to the Notes. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from Moody's at the following address: 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, (212) 553-1653. 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 rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Notes.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Irvine, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the execution and delivery of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Notes. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Notes are being purchased by Stone & Youngberg LLC (the "Underwriter"). The Underwriter will agree to purchase the Notes at a price of \$_____ (being the principal amount of the Notes of \$_____, plus an original issue premium of \$_____, less an Underwriter's discount of \$_____). The Purchase Agreement relating to the Notes provides that the Underwriter will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the registered owners of the Notes to provide notice of the occurrence of certain enumerated events, if material, which notice of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notices of material events is summarized below under the caption APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Notes and the Resolutions providing for issuance of the Notes, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from the District's records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary

in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

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

MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By _____
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

General

The District encompasses approximately 752 square miles of the southern part of the County. Population centers include the cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

The County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law city with its County seat located in the city of Riverside.

Population

The table below summarizes population of the City and the County.

POPULATION City of Moreno Valley and Riverside County

Year	City of Moreno Valley	Riverside County
2000	142,379	1,545,387
2001	144,319	1,590,131
2002	147,228	1,652,835
2003	151,688	1,724,335
2004	157,506	1,804,037
2005	165,939	1,883,572
2006	175,330	1,962,198
2007	180,227	2,030,054
2008	182,845	2,077,183
2009	186,515	2,109,882
2010	188,537	2,139,535

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark. Sacramento, California, May 2010. The 2000 totals are U.S. Census figures

Employment

The following table summarizes historical employment and unemployment in the City and the County.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Moreno Valley and Riverside County
Annual Averages, 2005-2009

Year and Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
<u>2005</u>				
City of Moreno Valley	81,000	75,800	5,100	6.3%
Riverside County	854,300	808,100	46,100	5.4
<u>2006</u>				
City of Moreno Valley	83,900	79,000	5,000	5.9%
Riverside County	886,300	841,700	44,600	5.0
<u>2007</u>				
City of Moreno Valley	86,100	80,100	6,100	7.0%
Riverside County	907,400	852,900	54,500	6.0
<u>2008</u>				
City of Moreno Valley	87,400	78,700	8,700	9.9%
Riverside County	916,700	838,800	77,900	8.5
<u>2009</u>				
City of Moreno Valley	87,900	74,100	13,800	15.7%
Riverside County	913,900	790,000	123,900	13.6

Source: California Employment Development Department, based on March 2009 benchmark.

(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.

The following table summarizes the historical numbers of workers in the County, by industry.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
Riverside County
2005-2009

	2005	2006	2007	2008	2009 (1)
Total, All Industries	593,100	620,500	620,200	592,000	545,000
Farm	15,000	14,200	13,000	13,100	13,200
Non-Farm:	578,100	606,400	607,200	578,900	531,800
Goods Producing	132,300	138,400	124,000	103,700	79,900
Mining and Logging	600	700	700	500	500
Construction	78,400	80,700	68,900	54,700	40,200
Manufacturing	53,400	57,000	54,400	48,400	39,200
Service Providing	445,800	468,000	483,300	475,200	452,000
Trade, Transportation & Utilities	116,200	123,400	130,000	126,400	116,700
Wholesale Trade	18,400	20,500	21,100	20,400	18,400
Retail Trade	82,100	85,900	88,000	84,900	78,500
Information	7,400	7,700	7,800	7,700	7,300
Financial Activities	22,200	23,600	23,000	22,300	20,800
Professional & Business Services	57,100	62,600	63,000	58,000	54,300
Educational & Health Services	53,300	53,500	56,900	58,100	57,900
Leisure & Hospitality	67,900	71,900	73,700	72,800	68,200
Other Services	18,900	20,500	20,100	19,400	17,700
Government	102,800	104,800	108,800	110,600	109,300

Source: California Employment Development Department, based on March 2009 benchmark.

(1) Latest reported data. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Major Employers

The largest employers in the County are as follows:

LARGEST EMPLOYERS Riverside County

Employer Name	Location	Industry
Abbott Vascular	Temecula	Physicians & Surgeons
Agua Caliente Casino	Rancho Mirage	Casinos
Corrections Dept	Norco	State Govt-Correctional Institutions
Crossroads Truck Dismantling	Mira Loma	Automobile Wrecking (Whls)
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hub International of Ca Ins	Riverside	Insurance
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Resort & Club	La Quinta	Resorts
Morongo Hotel	Cabazon	Casinos
Morongo Tribal Gaming Ent	Banning	Business Management Consultants
Pechanga Resort & Casino	Temecula	Casinos
Restoration Technologies Inc.	Corona	Electronic Equipment & Supplies - Retail
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Riverside Forklift Training	Riverside	Trucks-Industrial (Whls)
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products-California	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service
University of CA-Riverside	Riverside	Schools-Universities & Colleges Academic
Watson Pharmaceuticals Inc	Corona	Drug Millers (Mfrs)

Source: This list of major employers was extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition. Employer information is provided by infogroup®, Omaha, NE, 800-555-5211. Copyright © 2010. All Rights Reserved.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

BUILDING PERMITS AND VALUATION City of Moreno Valley (Dollars in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation:					
New Single-family	\$240,479	\$196,830	\$ 98,759	\$ 26,642	\$30,175
New Multi-family	98,789	119,391	33,790	9,053	0
Res. Alterations/Additions	5,334	5,748	4,781	3,739	1,457
Total Residential	344,603	321,969	137,330	39,434	31,632
Total Nonresidential	458,258	163,260	92,992	80,938	13,422
Total All Building	\$802,861	\$485,229	\$230,322	\$120,372	\$45,054
New Dwelling Units:					
Single Family	1,152	849	356	116	114
Multiple Family	929	1,262	450	84	0
Total	2,081	2,111	806	200	114

Sources: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

BUILDING PERMITS AND VALUATION Riverside County (Dollars in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation:					
New Single-family	\$6,243,792	\$4,412,255	\$2,207,520	\$1,214,753	\$ 892,790
New Multi-family	407,432	431,581	238,316	243,742	75,756
Res. Alterations/Additions	164,313	158,099	141,997	118,489	85,148
Total Residential	6,815,536	5,001,935	2,587,833	1,576,984	1,053,694
Total Nonresidential	1,292,075	1,529,833	1,458,143	1,041,813	376,819
Total All Building	\$8,107,611	\$6,531,768	\$4,045,976	\$2,618,797	\$1,430,513
New Dwelling Units:					
Single Family	29,994	20,692	9,763	3,815	3,431
Multiple Family	4,140	4,519	2,690	2,104	759
Total	34,134	25,211	12,453	5,919	4,190

Sources: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the City and County are shown below. The latest full-year data available from the State is for calendar year 2009. Note that in early 2007 the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. This process is now complete; over one million permit holders were converted from the previous business coding system to the NAICS codes. Beginning in 2009, BOE reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

TAXABLE SALES, 2005-2009 City of Moreno Valley (in thousands)

	Taxable Sales (\$000)				
	2005	2006	2007	2008	2009 (1)
Retail Stores					
Apparel stores	\$ 47,047	\$ 45,836	\$ 51,589	\$ 52,280	—
Clothing/clothing accessories stores	—	—	—	—	\$ 62,354
General merchandise stores	221,656	270,763	268,912	260,090	224,986
Food stores	86,035	94,891	98,662	89,543	—
Food and beverage stores	—	—	—	—	80,998
Eating and drinking places	135,643	151,534	151,284	146,593	—
Food services and drinking places	—	—	—	—	144,029
Household furnishings/appliances	41,045	40,422	31,098	26,670	24,273
Building materials	148,118	142,300	112,593	87,718	—
Bldg matls/garden equip & suppl	—	—	—	—	82,079
Motor vehicles and parts dealers	224,981	237,727	219,471	160,579	127,002
Service stations	114,623	145,805	153,821	168,436	139,929
Other Retail Stores	91,464	89,162	82,806	69,465	61,827
Retail Stores Totals	<u>1,110,612</u>	<u>1,218,440</u>	<u>1,170,236</u>	<u>1,064,374</u>	<u>947,927</u>
All Other Outlets	78,825	89,521	96,809	90,276	70,426
Total All Outlets	<u>\$1,189,437</u>	<u>1,307,961</u>	<u>\$1,267,045</u>	<u>\$1,154,650</u>	<u>\$1,018,353</u>

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

(1) Latest reported full-year data.

TAXABLE SALES, 2005-2009
Riverside County
(in thousands)

	Taxable Sales (\$000)				
	2005	2006	2007	2008	2009 (1)
Retail Stores					
Apparel stores	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543	—
Clothing/Clothing accessories	—	—	—	—	\$ 1,293,271
Sporting Goods, Hobby, Book and Music stores	—	—	—	—	411,301
General Merchandise stores	3,304,474	3,553,554	3,593,134	3,389,936	2,855,733
Specialty Stores (2)	2,104,040	2,262,442	—	—	—
Food Stores	1,197,438	1,309,782	1,352,609	1,254,366	—
Food and Beverage stores	—	—	—	—	1,251,220
Eating and Drinking	2,157,801	2,316,422	2,388,039	2,340,554	—
Food Services and Drinking places	—	—	—	—	2,266,853
Household Group	964,629	948,217	,843,945	816,379	—
Furniture/home furnishings	—	—	—	—	381,643
Electronics/appliance stores	—	—	—	—	476,455
Building Material Group	2,424,898	2,390,236	1,961,911	1,435,337	—
Bldg matl/garden equip & suppl	—	—	—	—	1,237,518
Automotive Group	6,751,648	6,956,756	4,301,385	3,115,036	—
Motor vehicle and parts dealers	—	—	—	—	2,449,747
Service Stations (3)	—	—	2,835,690	3,011,476	2,300,247
All Other Retail Stores	944,155	1,024,551	2,794,790	2,204,621	—
Nonstore Retailers	—	—	—	—	101,925
Miscellaneous Store Retailers	—	—	—	—	641,954
Retail Stores Totals	<u>20,839,212</u>	<u>21,842,345</u>	<u>21,242,516</u>	<u>18,689,249</u>	<u>16,857,488</u>
Business & Personal Services	1,118,570	1,151,861	1,112,407	1,045,714	—
All Other Outlets	6,298,709	6,822,031	6,668,686	6,268,632	6,170,390
Total All Outlets	<u>\$28,256,491</u>	<u>\$29,816,23</u>	<u>\$29,023,60</u>	<u>\$26,003,59</u>	<u>\$22,227,87</u>
		7	9	5	7

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

- (1) Latest reported full-year data.
- (2) Starting in 2007, category included in "Other retail stores."
- (3) Starting in 2007, category broken out from "Automotive Group."

Median Household Income

The following table summarizes the median household effective buying income for the City, Riverside the County, the State of California and the nation for the years 2005 through 2009.

CITY, COUNTY, STATE AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	City of Moreno Valley	\$ 2,218,823	\$42,858
	Riverside County	32,004,438	41,236
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Moreno Valley	\$ 2,595,078	\$45,178
	Riverside County	35,656,620	43,490
	California	764,120,962	46,275
	United States	6,107,092,244	41,255
2007	City of Moreno Valley	\$ 2,740,685	\$47,189
	Riverside County	38,631,365	45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Moreno Valley	\$ 2,927,483	\$48,984
	Riverside County	40,935,408	46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Moreno Valley	\$ 3,024,915	\$49,033
	Riverside County	41,337,770	47,080
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Nielsen Claritas, Inc.

APPENDIX B

**FINANCIAL STATEMENTS FOR THE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the MORENO VALLEY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Riverside County (the "Board"), in the name of the District, of \$ _____* Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes (Riverside County, California) (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on March 8, 2011, and a resolution adopted by the Board on March __, 2011 (collectively, the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

"*Dissemination Agent*" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 3 of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Authority under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 3. Reporting of Listed Events.

(a) *Reportable Events*. The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.

* Preliminary, subject to change.

- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), 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) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) 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.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Notes under the Resolution.

Section 4. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 6. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District 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 not be deemed to be acting in any fiduciary capacity for the District, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Note holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Note holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Note holders or Beneficial Owners.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Note holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure

Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Note holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By _____
Name _____
Title _____

APPENDIX D
PROPOSED FORM OF OPINION OF BOND COUNSEL

[TO COME]

APPENDIX E

PROPOSED FORM OF OPINION OF SPECIAL TAX COUNSEL

Upon delivery of the Notes in definitive form, The Law Offices of Samuel Norber, Beverly Hills, California, Special Tax Counsel to the Moreno Valley Unified School District, proposes to render its final tax opinion with respect to the Notes in substantially the following form:

Moreno Valley Unified School District
25634 Alessandro Blvd.
Moreno Valley, CA 92553

Re: \$ _____ * Moreno Valley Unified School District
2011 Tax and Revenue Anticipation Notes
Final Tax Opinion

Ladies and Gentlemen:

I have acted as Special Tax Counsel in connection with the issuance and sale by the Moreno Valley Unified School District ("District") of \$ _____ * aggregate principal amount of Notes designated "Moreno Valley Unified School District 2011 Tax and Revenue Anticipation Notes" (the "Notes").

The Notes are issued pursuant to section 53850 *et seq.* of the California Government Code (the "Government Code"), and pursuant to resolutions adopted by the Board of Education (the "District Board") of the District and by the Board of Supervisors (the "County Board") of Riverside County, California (the "County"). The District Board adopted its resolution authorizing the Notes (the "District Resolution") on March 8, 2011. The County Board adopted its resolution authorizing the Notes (the "County Resolution" and, with the District Resolution, the "Resolutions") on March __, 2011. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Resolutions.

In such connection, I have reviewed the Resolutions, the Notes, the Official Statement dated November __, 2010 (the "Official Statement"), the Tax and Nonarbitrage Certificate of the District dated as of the date hereof (the "Tax Certificate") and the opinion of Bowie, Arneson, Wiles & Giannone, bond counsel (the "Bond Counsel Opinion"). I have also examined certificates and representations of fact made by public officials, officers and representatives of the District, the Trustee and the Underwriter, as well as such other documents, certificates, opinions and matters to the extent I deemed necessary to render the opinion set forth herein. I have not undertaken to verify independently, and have (1) relied upon the Bond Counsel Opinion for the due authorization, execution and delivery of the Resolutions and the Notes, and (2) assumed, the genuineness of such other documents, certificates and opinions presented to me (whether as originals or copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified therein, and the due and legal execution and delivery thereof by, and validity against, any parties including the District.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than myself.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinion may be

* Preliminary, subject to change.

affected by actions taken or omitted or events occurring after the date hereof. I have not undertaken to determine, or to inform any person, whether any such actions or events are taken or omitted or events do occur, and I disclaim any obligation to update this letter. My engagement with respect to the Notes has concluded with their issuance. I have relied upon the Bond Counsel Opinion that the Notes constitute a valid and binding obligation of the District. Furthermore, I have assumed compliance with the covenants and agreements contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. I call attention to the fact that the rights and obligations under the Notes, the Official Statement, the Resolutions and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principals, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California. I express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, I undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express herein no opinion with respect thereto except as specifically stated in paragraph (2) below.

My opinion assumes the timely filing of a properly completed Form 8038-G, "Information Return for Tax-Exempt Governmental Bond Issues," with the Internal Revenue Service Center in Ogden, Utah on or before _____, 2011.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, I am of the following opinion:

(1) Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from present State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. In addition, neither the Notes nor the Resolutions are a "private activity bond" as defined in the Code and, therefore, the interest on the Notes is not an item of tax preference for purposes of the Code's corporate or individual alternative minimum tax provisions, and the interest received by a corporation will not be included in "adjusted current earnings" for purposes of computing its corporate alternative minimum tax liability.

(2) The statements and information contained in the Official Statement on the cover page relating to tax exemption, and the statements under the caption "TAX MATTERS" and "APPENDIX E-FORM OF OPINION OF SPECIAL TAX COUNSEL," to the extent that they purport to summarize the tax status of the Notes and my opinion, are fair and accurate in all material respects.

I express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Respectfully submitted,

LAW OFFICES OF SAMUEL NORBER

By: _____