

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

926  
A



**FROM:** Don Kent, Treasurer/Tax Collector

**SUBMITTAL DATE:**  
March 1, 2012

**SUBJECT:** Resolution No. 2012-070 – Moreno Valley Unified School District Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes (Vote on Separately)

**RECOMMENDED MOTION:** That your Honorable Board approve and adopt Resolution No. 2012-070 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 \$39,000,000.

**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 2011-12 Tax and Revenue Anticipation Notes on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2011-2012 fiscal year.

(Continued on page two)

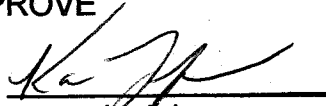
  
\_\_\_\_\_  
Don Kent, Treasurer-Tax Collector

FORM APPROVED COUNTY COUNSEL  
BY: Ashley A. Gardner 2/29/12  
DALE A. GARDNER  
Depart DATE Concurrence

|                       |                               |      |                         |     |
|-----------------------|-------------------------------|------|-------------------------|-----|
| <b>FINANCIAL DATA</b> | 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 |

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

**C.E.O. RECOMMENDATION:** APPROVE

BY:   
Karen L. Johnson


**County Executive Office Signature**

Policy  Policy   
Consent  Consent

**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Buster, Tavaglione, Benoit and Ashley  
Nays: None  
Absent: Stone  
Date: March 13, 2012  
xc: Treasurer

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

3.44

Dept's Recomm.:  
Per Exec. Ofc.:

Date: March 1, 2012  
From: Treasurer-Tax Collector  
Subject: Resolution No. 2012-070  
Page 2

Resolution No. 2012-070 authorizes the issuance of Moreno Valley Unified School District 2011-12 Tax and Revenue Anticipation Notes in a principal amount not to exceed \$39,000,000. The District has pledged certain of its unrestricted revenues to be received or accrued during fiscal year 2011-2012 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. 2012-070 and has approved it as to form.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

---

RESOLUTION NO. 2012-070

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE  
COUNTY PROVIDING FOR THE ISSUANCE OF MORENO VALLEY  
UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF  
CALIFORNIA, 2011-12 TAX AND REVENUE ANTICIPATION NOTES

---

Table of Contents

|    |  | <u>Page</u> |
|----|--|-------------|
| 1  | Section 1. Authorization of Issuance of Notes: Terms Thereof; Paying Agent.....            | 2           |
|    | Section 2. Form of Notes .....   | 3           |
| 2  | Section 3. Transfer and Exchange of Notes.....   | 3           |
|    | Section 4. Use of Depository .....   | 4           |
| 3  | Section 5. Deposit and Investment of Note Proceeds; No Arbitrage.....                      | 5           |
|    | Section 6. Payment of Notes.....   | 5           |
| 4  | Section 7. Execution of Notes .....  | 7           |
|    | Section 8. Approval of Note Purchase Agreement .....                                       | 7           |
| 5  | Section 9. Authorization of Preliminary Official Statement and Official<br>Statement ..... | 8           |
| 6  | Section 10. Delivery of Notes.....   | 8           |
|    | Section 11. Further Actions Authorized .....   | 8           |
| 7  | Section 12. Investment of Note Proceeds .....  | 8           |
|    | Section 13. Other Actions .....  | 9           |
| 8  | Section 14. Recitals .....   | 9           |
|    | Section 15. Effective Date .....   | 10          |
| 9  |  |             |
| 10 | Exhibit A Form of Note.....  | A-1         |

11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

1 BOARD OF SUPERVISORS,  
2 RIVERSIDE COUNTY, STATE OF CALIFORNIA

3 RESOLUTION NO. 2012-070

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE  
5 COUNTY PROVIDING FOR THE ISSUANCE OF MORENO VALLEY  
6 UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF  
7 CALIFORNIA, 2011-12 TAX AND REVENUE ANTICIPATION NOTES

8 WHEREAS, pursuant to Section 53850 *et seq.* of the Government Code of the State  
9 of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing,"  
10 on or after the first day of any fiscal year (being July 1), a school district may borrow money  
11 by issuing notes for any purpose for which the school district is authorized to expend  
12 moneys, including but not limited to, current expenses, capital expenditures, investment and  
13 reinvestment, and the discharge of any obligation or indebtedness of the school district; and

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

19 WHEREAS, the Riverside County Superintendent of Schools (the "County  
20 Superintendent") has jurisdiction over the Moreno Valley Unified School District (the  
21 "District"), and this Board of Supervisors of Riverside County (the "County Board") has  
22 received a resolution of the Board of Education of the District (the "District Board"), being  
23 the governing board of the District, dated February 21, 2012, entitled "RESOLUTION OF  
24 THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL  
25 DISTRICT AUTHORIZING THE ISSUANCE OF 2011-12 TAX AND REVENUE  
26 ANTICIPATION NOTES AND REQUESTING THE BOARD OF SUPERVISORS OF  
27 THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES" (the "District Resolution")  
28 which District Resolution requests the borrowing of not exceeding \$39,000,000 at an interest  
rate not to exceed that allowed by law, through the issuance by the County Board of 2011-12  
Tax and Revenue Anticipation Notes (the "Notes") in the name of the District; and

WHEREAS, such Notes shall be payable on such date that is not later than thirteen  
months after the date of delivery thereof; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes,  
income, revenue (including, but not limited to, revenue from state and federal governments),  
cash receipts or other moneys of the District (including moneys deposited in inactive or term  
deposits, but excepting certain moneys encumbered for a special purpose); and the District  
Resolution specifies that certain of such revenues that will be received by the District for the  
General Fund thereof shall be pledged for the payment of the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent  
not paid from the Unrestricted Revenues (defined herein) pledged for the payment thereof

FORM APPROVED COUNTY COUNSEL  
BY Wm A. Gardner DATE 2/29/12  
DALE A. GARDNER

1 shall be paid with interest thereon from any other moneys of the District lawfully available  
2 therefor, as required by Section 53857 of the Act, and shall not in any way be payable from  
County money; and

3 WHEREAS, the Notes shall be in denominations of \$5,000 principal amount or  
4 integral multiples thereof, as permitted by Section 53854 of the Act; shall be issued on a date  
5 provided in the Note Purchase Agreement (defined herein) therefor; and shall be in the form  
and executed in the manner prescribed in the District Resolution and herein, as required by  
6 Section 53853 of the Act; and

7 WHEREAS, the District has found and determined that said \$39,000,000 maximum  
8 principal amount of Notes to be issued by the County Board, when added to the interest  
9 payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the  
10 uncollected taxes, income, revenue (including but not limited to revenue from state and  
federal governments), cash receipts and other moneys of the District which will be available  
for the payment of the Notes and interest thereon, as required by Section 53858 of the Act;  
and

11 WHEREAS, the District has determined that the Notes will not be issued in an  
12 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  
13 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; and

14 WHEREAS, the District received a qualified certification on its second interim report  
15 for fiscal year 2010-11 and, as a result, the issuance of the Notes shall be conditioned on the  
16 receipt by the District of a finding by the County Superintendent, pursuant to Section 42133  
of the Education Code, that the District's repayment of the Notes is probable;

17 NOW, THEREFORE, the Board of Supervisors of Riverside County hereby resolves  
as follows:

18 Section 1. Authorization of Issuance of Notes: Terms Thereof; Paying Agent.

19 As required by law, the County Board hereby authorizes the issuance, in the name of the  
20 District, of an amount not-to-exceed \$39,000,000 principal amount of Notes under Sections  
21 53850 *et seq.* of the Act, designated as "Moreno Valley Unified School District, County of  
22 Riverside, State of California, 2011-12 Tax and Revenue Anticipation Notes." The Notes are  
23 authorized to be issued in one or more series of Notes, with appropriate series designation,  
24 numbered from 1 consecutively upward in order of issuance, and in the denominations of  
25 \$5,000 principal amount or integral multiples thereof. The Notes shall be dated the date of  
26 delivery thereof; shall mature (with or without option of prior redemption, as set forth in the  
27 Note Purchase Agreement) on a day (or days, if more than one series of Notes is issued) in  
which banks in New York or California are open for business and no later than thirteen  
months after the date of issuance (on a 30-day month/360-day year basis); and shall bear  
interest, payable on or before maturity and computed on a 30-day month/360-day year basis,  
at the per annum rate or rates set forth in the Note Purchase Agreement relating for the Notes  
(the "Note Purchase Agreement"), by and among the County, the District and Piper Jaffray &  
Co. (the "Underwriter"), but not in excess of the maximum rate allowed by law.

1 Both the principal of and interest on the Notes shall be payable, only upon surrender  
2 thereof, in lawful money of the United States of America at the principal corporate trust  
3 office of U.S. Bank National Association, which is hereby designated as the paying agent,  
4 authentication agent, registrar and transfer agent for the Notes (in such capacity, the "Paying  
5 Agent").

6 Section 2. Form of Notes. The Notes shall be issued in registered form, without  
7 coupons, and shall be substantially in the form and substance set forth in Exhibit A attached  
8 hereto and by reference incorporated herein, the blanks in said form to be filled in with  
9 appropriate words and figures. The Notes may be initially registered in the name of "Cede &  
10 Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in  
11 the full principal amount of the Notes. The Depository Trust Company, New York, New  
12 York is hereby appointed depository for the Notes (the "Depository"). Registered ownership  
13 may not thereafter be transferred except as set forth in Section 4 hereof. There shall be  
14 simultaneously delivered with each Note, the legal opinion of Stradling Yocca Carlson &  
15 Rauth, a Professional Corporation, respecting the validity of said Notes.

16 Section 3. Transfer and Exchange of Notes. Subject to the provisions of  
17 Section 4 hereof, the registration of any Note may, in accordance with its terms, be  
18 transferred, upon the registration books kept by the Paying Agent for such purpose, by the  
19 person in whose name it is registered, in person or by his or her duly authorized attorney,  
20 upon surrender of such Note for cancellation, accompanied by delivery of a written  
21 instrument of transfer, duly executed in a form approved by the Paying Agent.

22 Whenever any Note or Notes shall be surrendered for registration or transfer, the  
23 Paying Agent shall execute and deliver a new Note or Notes, for a like aggregate principal  
24 amount. The Paying Agent shall require the Note owner requesting such registration of  
25 transfer to pay any tax or other governmental charge required to be paid with respect to such  
26 transfer. The District may require the owner requesting such registration of transfer to pay  
27 such additional reasonable charge as may be necessary to cover customary expenses incurred  
28 and fees charged by the Paying Agent with respect to such registration of transfer. The  
Paying Agent may treat the registered owner of any Note as the absolute owner thereof for all  
purposes whatsoever in accordance with this resolution, and the Paying Agent shall not be  
affected by any notice to the contrary.

Subject to the provisions of Section 4 hereof, Notes may be exchanged at the  
designated corporate trust office of the Paying Agent for a like aggregate principal amount of  
Notes in other authorized denominations. The Paying Agent shall require the payment by the  
Note owner requesting such exchange of any tax or other governmental charge required to be  
paid with respect to such exchange. The District may require the owner requesting such  
exchange to pay such additional reasonable charge as may be necessary to cover customary  
expenses incurred and fees charged by the Paying Agent or the District with respect to such  
exchange.

1  
2 Section 4. Use of Depository.

3 (a) The Notes may be initially registered as provided in Section 2 hereof.  
4 Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred  
5 except:

6 (i) To any successor of Cede & Co., as nominee of The  
7 Depository Trust Company, or its nominee, or to any substitute Depository designated  
8 pursuant to clause (ii) of this Section 4 (a "Substitute Depository"); provided, that any  
9 successor of Cede & Co., as nominee of The Depository Trust Company or a Substitute  
10 Depository, shall be qualified under any applicable laws to provide the services proposed to  
11 be provided by it;

12 (ii) To any Substitute Depository not objected to by the Paying  
13 Agent, upon (1) the resignation of The Depository Trust Company or its successor (or any  
14 Substitute Depository or its successor) from its functions as Depository, or (2) a  
15 determination by the District to substitute another Depository for The Depository Trust  
16 Company (or its successor) because The Depository Trust Company or its successor (or any  
17 Substitute Depository or its successor) is no longer able to carry out its functions as  
18 Depository; provided, that any such Substitute Depository shall be qualified under any  
19 applicable laws to provide the services proposed to be provided by it; or

20 (iii) To any person as provided below, upon (1) the resignation of  
21 The Depository Trust Company or its successor (or Substitute Depository or its successor)  
22 from its functions as Depository, or (2) a determination by the Paying Agent to remove The  
23 Depository Trust Company or its successor (or any Substitute Depository or its successor)  
24 from its functions as Depository.

25 (b) In the case of any transfer pursuant to clause (i) or clause (ii) of  
26 subsection (a) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent,  
27 together with a request of the District to the Paying Agent, a new Note shall be executed and  
28 delivered in the aggregate principal amount of the Notes registered in the name of such  
successor or such Substitute Depository, or their nominees, as the case may be, all as  
specified in such request of the District. In the case of any transfer pursuant to clause (iii) of  
subsection (a) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent  
together with a request of the District to the Paying Agent, new Notes shall be executed and  
delivered in such denominations numbered in the manner determined by the Paying Agent  
and registered in the names of such persons as are requested in such a request of the District;  
provided, the Paying Agent shall not be required to deliver such new Notes within a period  
less than sixty (60) days from the date of receipt of such a request of the County. Thereafter,  
Notes shall be transferred pursuant to Section 3 hereof.

29 (c) 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 this resolution and any  
applicable laws, notwithstanding any notice to the contrary received by the Paying Agent, the  
District or the County; and the Paying Agent shall have no responsibility for transmitting  
payments to, communication with, notifying, or otherwise dealing with any beneficial owners



1 of the Notes and neither the County, the District nor the Paying Agent will have any  
2 responsibility or obligations, legal or otherwise, to the beneficial owners or to any other  
3 party, including The Depository Trust Company or its successor (or Substitute Depository or  
its successor), except for the registered owner (the "Owner") of any Notes.

4 (d) So long as the outstanding Notes are registered in the name of Cede &  
5 Co. or its registered assigns, the Paying Agent shall cooperate with Cede & Co., as sole  
6 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.

7 Section 5. Deposit and Investment of Note Proceeds; No Arbitrage. The moneys  
8 so borrowed shall be deposited into a segregated account within the general fund of the  
9 District and shall be pledged to the payment of the Notes to the extent sufficient Pledged  
10 Revenues (as defined below) and other legally available Revenues are not deposited into the  
11 Repayment Fund (as defined below). The District has covenanted that it will make no use of  
12 the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section  
13 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and, to that end, so long  
14 as any of the Notes are outstanding, the District, and all of its officers having custody or  
15 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."

16 Section 6. Payment of Notes.

17 (a) Source of Payment. The principal amount of the Notes, together with  
18 the interest thereon, shall be payable from taxes, income, revenue (including, but not limited  
19 to, revenue from state and federal governments), cash receipts and other moneys of the  
20 District (including moneys deposited in inactive term deposits, but excepting therefrom  
moneys encumbered for a special purpose), as provided in Section 53856 of the Act, and  
which are generally available for the payment of current expenses and other obligations of  
the District (collectively, the "Unrestricted Revenues").

21 To the extent the Notes mature during the fiscal year succeeding fiscal year 2011-12,  
22 the Notes shall be payable only from Unrestricted Revenues which are received in or accrued  
23 to fiscal year 2011-12. The District has determined that included in such revenues are State  
24 apportionments which otherwise would be received in the period from July 2011 through  
25 June 2012 but, due to the deferral of such monies by the State, will not be received until after  
June 30, 2012 (collectively, the "Deferred Revenues"). The District has further determined  
that the Deferred Revenues are accrued to the District's 2011-12 fiscal year, and lawfully  
available to pay the principal of and interest on the Notes.

26 The Notes shall be a general obligation of the District, and to the extent the Notes are  
27 not paid from the Unrestricted Revenues pledged to the repayment thereof described herein,

1 shall be paid with interest thereon from any other moneys of the District lawfully available  
2 therefor, as provided herein and by law.

3 Notwithstanding anything to the contrary contained herein or in any document  
4 mentioned herein or related to the Notes, the County shall not have any monetary or other  
5 liability hereunder or by reason hereof or in connection with the transactions contemplated  
6 hereby and the Notes shall be payable solely from the moneys of the District available  
therefor as set forth in this Section and in Section 4 of the District Resolution. Further, the  
County shall have no responsibility for or liability as a result of the use of the proceeds of the  
sale of the Notes.

7 (b) Pledged Revenues. Except as otherwise provided in the Note  
8 Purchase Agreement or the Notes, as security for the payment of the principal of and interest  
9 on the Notes, as provided in the District Resolution, the District has pledged an amount equal  
10 to fifty percent (50%) of the principal of and interest due on the Notes at maturity from the  
11 first Unrestricted Revenues received by the District in the month ending July 31, 2012; and  
12 an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at  
13 maturity, as well as any deficiency in the amount required to be deposited during any prior  
month, from the first Unrestricted Revenues received by the District in the month ending  
August 31, 2012 (such pledged amounts being hereinafter called the "Pledged Revenues").  
Except as otherwise provided in the Note Purchase Agreement or the Notes, the Pledged  
Revenues shall be deposited by the District no later than the last day of each month specified  
above into the Repayment Fund (defined herein).

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

16 In the event that there are insufficient Unrestricted Revenues received by the District  
17 to permit the deposit into the Repayment Fund of the full amount of Pledged Revenues to be  
18 deposited from such Unrestricted Revenues, then the amount of any such deficiency shall be  
19 satisfied and made up from any other moneys of the District lawfully available for the  
repayment of the Notes and the interest thereon.

20 (c) Covenant Regarding Additional Short term Borrowing. The District  
21 has covenanted and warranted that, during the term that provision for the payment of  
22 principal and interest of the Notes has not been made, the District will not request the County  
23 Treasurer-Tax Collector (the "Treasurer-Tax Collector"), to make temporary transfers of  
funds in the custody of the Treasurer-Tax Collector, to meet any obligations of the District  
during the 2011-2012 fiscal year pursuant to the authority of Article XVI, Section 6 of the  
Constitution of the State of California or any other legal authority.

24 (d) Deposit of Pledged Revenues in Repayment Fund. The Pledged  
25 Revenues shall be held (in accordance with the District Resolution) in a special fund  
26 designated as the "Moreno Valley Unified School District, Riverside County, State of  
27 California, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (herein called  
the "Repayment Fund") and applied as directed in this Resolution and the District Resolution.  
Any moneys placed 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

1 for the payment of the Notes at maturity with interest to maturity, the moneys in the  
2 Repayment Fund shall be applied only for the purposes for which the Repayment Fund is  
3 created.

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

13 Moneys in the Repayment Fund shall be invested in accordance with the District  
14 Resolution, at the request of the District in investment securities or other investments  
15 permitted by applicable California law, as it is now in effect and as it may be amended,  
16 modified or supplemented from time to time, including investments authorized by Section 12  
17 hereof; to the extent that moneys invested or held by the County are subject to arbitrage  
18 rebate, neither the County nor any officer or employee of the County shall assume hereunder  
19 or under the provisions of any rebate certificate any duty or obligation to make the actual  
20 calculations of arbitrage rebate liability of the District, or to pay any such rebate or any  
21 penalties in regard thereto if the District miscalculates or fails to pay or cause such rebate or  
22 such penalties to be paid.

23 Section 7. Execution of Notes. The County Board hereby authorizes the  
24 Chairman of the Board of Supervisors to sign the Notes by manual or facsimile signature, the  
25 Treasurer-Tax Collector to sign the Notes by manual or facsimile signature, and the Clerk of  
26 the Board (the "Clerk") to countersign the Notes by manual or facsimile signature; the Clerk  
27 is hereby authorized to affix the seal of the County Board thereto; and said officers are  
28 hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate. The  
County also authorizes the Paying Agent to authenticate the Notes. No Note shall be valid or  
obligatory for any purpose or shall be entitled to any security or benefit hereunder unless and  
until the certificate of authentication printed on the Bond is signed by the Paying Agent as  
authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that  
the Bond so authenticated has been duly issued, signed and delivered under this Resolution  
and is entitled to the security and benefit of this Resolution.

Section 8. Approval of Note Purchase Agreement. Pursuant to the District  
Resolution, the District Board has authorized the sale of the Notes at a negotiated sale. The  
form of Note Purchase Agreement for the Notes by and among the District, the County and  
Piper Jaffray & Co. (the "Underwriter"), substantially in the form presented to this meeting  
and on file with the Clerk, is hereby approved. The Superintendent of the District, the Chief  
Business Official of the District, or a designated deputy thereof (each, a "District Officer"),  
each alone, have been authorized by the District Resolution, and the Treasurer-Tax Collector  
or the Treasurer-Tax Collector's designee, each alone, are hereby authorized to execute and  
deliver the Note Purchase Agreement, and each of the District Officers and the Treasurer-Tax  
Collector are hereby authorized and requested to acknowledge such Note Purchase  
Agreement, but with such changes therein, deletions therefrom and modifications thereto as

1 each shall approve, such approval to be conclusively evidenced by his or her execution and  
2 delivery thereof; provided, however, that the maximum interest rate on the Notes shall not  
3 exceed that authorized by law, and that the Underwriter's discount shall not exceed 0.5%, of  
4 the par amount of the Notes. The Treasurer-Tax Collector or the Treasurer-Tax Collector's  
5 designee, in conjunction with the District Officers, are hereby further authorized to determine  
6 the maximum principal amount of Notes to be specified in the Note Purchase Agreement, up  
7 to \$39,000,000 and to enter into and execute the Note Purchase Agreement with the  
8 Underwriter, if the conditions set forth in this Resolution and the District Resolution are  
9 satisfied.

6 Section 9. Authorization of Preliminary Official Statement and Official  
7 Statement. Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond and  
8 Disclosure Counsel, has been authorized by the District to prepare a Preliminary Official  
9 Statement and an Official Statement relating to the Notes, to be used in connection with the  
10 offering and sale of the Notes.

10 Section 10. Delivery of Notes. The proper officers of the County Board are  
11 hereby authorized and directed to deliver the Notes to the Underwriter in accordance  
12 herewith and with the Note Purchase Agreement. All actions heretofore taken by the officers  
13 and agents of the County Board with respect to the sale and issuance of the Notes are hereby  
14 approved, confirmed and ratified, and the officers of the County Board are hereby authorized  
15 and directed, for and in the name and on behalf of the County Board, to do any and all things  
16 and take any and all actions and execute and deliver any and all certificates, agreements and  
17 other documents which they, or any of them, may deem necessary or advisable in order to  
18 consummate the lawful issuance and delivery of the Notes in accordance with this Resolution  
19 and the District Resolution.

16 Section 11. Further Actions Authorized. It is hereby covenanted that the County,  
17 and its appropriate officials, have duly taken all proceedings necessary to be taken by them,  
18 and will take any additional proceedings necessary to be taken by them, for the levy,  
19 collection and enforcement of the secured property taxes pledged under the District  
20 Resolution in accordance with the law and for carrying out the provisions of the District  
21 Resolution and of this Resolution.

20 Section 12. Investment of Note Proceeds. Notwithstanding anything to the  
21 contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the  
22 Notes in the event and to the extent sufficient Pledged Revenues of the District and other  
23 legally available revenues are not deposited into the Repayment Fund. In addition to  
24 investments in the Treasurer-Tax Collector's Investment Pool, pursuant to Section 53601(1)  
25 of the Government Code of the State of California, the following are hereby designated as  
26 additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i)  
27 a guaranteed investment contract with a financial institution or insurance company which has  
28 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; or (ii) the Local Agency  
Investment Fund administered by the State of California.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Section 13. Other Actions.

(a) Officers of the Board and County officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Notes and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) Notwithstanding any other provision hereof, the provisions of this Resolution as they relate to the terms of the Notes may be amended by the Note Purchase Agreement.

Section 14. Recitals. All the recitals in this Resolution above are true and correct and this County Board so finds, determines and represents.

[REMAINDER OF PAGE LEFT BLANK]

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Section 15. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was adopted by the Board of Supervisors of the County of Riverside on March 13, 2012.

ROLL CALL:

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

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

KECIA HARPER-IHEM, Clerk of said Board

By: \_\_\_\_\_  
Deputy

**EXHIBIT A**  
**FORM OF NOTE**

REGISTERED  
No. 1

REGISTERED  
\$ \_\_\_\_\_

MORENO VALLEY UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA  
2011-12 TAX AND REVENUE ANTICIPATION NOTE

|                          |                   |                       |               |
|--------------------------|-------------------|-----------------------|---------------|
| <u>Rate of Interest:</u> | <u>Note Date:</u> | <u>Maturity Date:</u> | <u>CUSIP:</u> |
| _____%                   | _____, 2012       | _____, 2012           |               |

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 assigns, at the corporate trust office of U.S. Bank National Association (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year of twelve 30-day months), in like lawful money of the United States of America from the Note Date specified above 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 (the "County") duly passed and adopted on March 13, 2012 (the "Resolution") and a Resolution of the Board of Education of the District duly passed and adopted on February 21, 2012, 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 (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), received in or accrued to fiscal year 2011-12, and which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at maturity from the first Unrestricted Revenues received by the District in the month ending July 31, 2012; and an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at maturity, as well as any deficiency in the amount required to be deposited during any prior month, from the first Unrestricted Revenues received by the District in the month ending August 31, 2012 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge on such Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the corporate trust office of the Paying Agent, in Los Angeles, California, 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 except that this Note shall not be transferred or exchanged later than the 15th day prior to the maturity date hereof. 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, District nor the Paying Agent shall be affected by any notice to the contrary.


Unless this certificate 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 certificate issued is registered in the name of Cede & 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.



IN WITNESS WHEREOF, Riverside County has caused this Moreno Valley Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Treasurer-Tax Collector of Riverside County and countersigned by the Clerk of its Board of Supervisors and has caused a facsimile of its official seal to be printed hereon this \_\_\_ day of \_\_\_\_\_, 2012

RIVERSIDE COUNTY

By: \_\_\_\_\_ [Facsimile Signature]  
Chairman of the Board of Supervisors

By:  \_\_\_\_\_ [Manual Signature]  
Treasurer-Tax Collector

Countersigned

By: \_\_\_\_\_ [Facsimile Signature]  
Clerk of the Board of Supervisors

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the Resolutions referred to herein which has been authenticated and registered on \_\_\_\_\_, 2012.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: \_\_\_\_\_ [Manual Signature]  
Authorized Signatory

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.

[Manual Signature]

\_\_\_\_\_  
Superintendent, Moreno Valley Unified  
School District

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the \_\_\_\_\_ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed by:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

§ \_\_\_\_\_  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**2011-12 Tax and Revenue Anticipation Notes**

**NOTE PURCHASE AGREEMENT**

March \_\_, 2012

Moreno Valley Unified School District  
 25634 Alessandro Boulevard  
 Moreno Valley, California 92553

Board of Supervisors  
 County of Riverside  
 4080 Lemon Street, 4th Floor  
 Riverside, California 92501

The undersigned, Piper Jaffray & Co. (the "Underwriter"), offers to enter into the following Note Purchase Agreement (this "Purchase Agreement") with the County of Riverside, California (the "County"), and the Moreno Valley Unified School District (the "District"), which, upon acceptance of this offer by the County and the District will be binding upon the County, the District and the Underwriter. This offer is made subject to acceptance of this Purchase Agreement by the County and the District on or before 11:59 p.m., California time, on the date hereof, and, if this Purchase Agreement is not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the County and the District.

1. **Purchase and Sale of the Notes.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the County, and the County agrees to sell to the Underwriter on behalf of the District, the Moreno Valley Unified School District (Riverside County, California) 2011-12 Tax and Revenue Anticipation Notes, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Notes").

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

The Notes shall be dated the date of initial execution and delivery, shall mature on \_\_\_\_\_, 2012, and shall bear interest at the rate of \_\_\_\_\_% per annum (with a yield to maturity of \_\_\_\_\_%). The aggregate purchase price to be paid by the Underwriter for the Notes is hereby agreed to be \$\_\_\_\_\_ (representing the principal amount of \$\_\_\_\_\_, plus original issue premium of \$\_\_\_\_\_, and less the Underwriter's discount of \$\_\_\_\_\_).

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

2. **The Notes.** The Notes shall be issued and secured pursuant to the provisions authorizing resolutions adopted by the Board of Education of the District on February 21, 2012 (the "District Resolution") and the Board of Supervisors of the County on March 13, 2012 (the "County Resolution," and, together with the District Resolution, the "Resolutions"), and Article 7.6, Chapter 4, Part 1, Division 2, Title 5, commencing with Section 53850 *et seq.*, of the California Government Code (the "Act").

Pursuant to Section 53854 of the Act, the Notes shall be payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for payment of current expenses and other obligations of the District, and which are received in or accrued to the District's 2011-12 fiscal year (collectively, the "Unrestricted Revenues"). The District hereby pledges, as security for the payment of the principal of and interest on the Notes, Unrestricted Revenues received by the District as follows: (i) in the month ending July 31, 2012 in an amount sufficient to pay 50% of the aggregate principal of and interest due on the Notes at maturity; and (ii) in the month ending August 31, 2012 in an amount sufficient to pay 50% of the principal of and interest due on the Notes at maturity and any deficiency in amounts required to be previously deposited in the Repayment Fund (defined herein) in any prior month (collectively, the "Pledged Revenues").

The Notes shall be delivered and secured under the Resolutions. The principal and interest evidenced by the Notes shall be payable as provided in the Resolutions and as described in the Official Statement (defined herein). All capitalized items not defined herein shall have the meanings set forth in the Resolutions.

The Notes shall be registered in the name of the Cede & Co. as nominee of DTC and held for the benefit of the owners of the Notes to secure the payment of principal and interest represented by the Notes. The issuance of the Notes, and the approval of the execution and delivery of the Notes, have been duly and validly authorized or acknowledged by the County and the District pursuant to the Resolutions.

3. **Use of Documents.** In connection with the offering and sale of the Notes, the District hereby ratifies, confirms and approves of the use and distribution by the Underwriter

prior to the date hereof of the Preliminary Official Statement dated March \_\_, 2012, relating to the Notes (together with the cover page, the appendices thereto, and any exhibits, maps, reports and statements included therein or attached thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement") which, as of its date, the District has deemed final (and which determination the District hereby confirms and ratifies) for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, (the "Rule") except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Notes which depend upon the foregoing as provided in and pursuant to the Rule.

The Underwriter agrees that prior to the time the final official statement, substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (together with the cover page, the appendices thereto, and any exhibits, maps, reports and statements included therein or attached thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Official Statement") relating to the Notes is available, the Underwriter will make available 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 agrees to file the final Official Statement, including any supplement or amendment thereto, with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system (the "EMMA System") or as otherwise provided by the MSRB or the SEC within one (1) business day of receipt thereof from the District, but, in any event, by no later than the date of the Closing.

The County and the District hereby authorize the Underwriter to use and distribute the Resolutions, the Preliminary Official Statement and the Official Statement and the information contained in each such document in connection with the offering and the sale of the Notes

4. **Closing.** At 9:00 a.m., California time, on March \_\_, 2012, or at such earlier or later time or date as shall be agreed by the County, the District and the Underwriter (such time and date being herein referred to as the "Closing"), the County and the District will deliver to the Underwriter, for redelivery through DTC, in New York, New York (or such other location as may be designated by the Underwriter), the Notes in the form of one or more (as may be required by DTC) fully registered Notes (which may be typewritten) duly executed in accordance with the Resolutions, and will deliver or cause to be delivered to the offices of Stradling Yocca Carlson & Rauth, San Francisco, California ("Bond Counsel") (or such other location as may be designated by the Underwriter), the other documents herein mentioned.

It shall be a condition to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes, that the entire aggregate principal amount of the Notes authorized to be executed and delivered by the Resolutions shall be sold and delivered at the Closing. The Underwriter will accept such delivery and pay the purchase price of the Notes as set forth in Section 1 herein by wire transfer in immediately available funds. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Notes nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Notes on the Closing Date in accordance with the terms of this Purchase Agreement. The Notes

shall be made available to the Underwriter, not later than one business day before the Closing Date for purposes of inspection and packaging.

5. **Representations, Warranties and Agreements of the District.** The District represents, warrants and agrees as follows:

(a) The District is, and will be at the Closing Date, a duly organized, validly existing and operating school district pursuant to the laws of the State of California (the "State") with full power and authority to cause the Notes to be issued by the County on its behalf and to observe and perform the covenants and agreements set forth in the District Resolution, and this Purchase Agreement;

(b) By official action of the District, prior to or concurrently with the acceptance hereof, the District (i) has duly authorized the distribution of the Preliminary Official Statement, approved and authorized the distribution of the Official Statement, and (ii) adopted its District Resolution, and authorized and approved the execution and delivery of this Purchase Agreement, and the performance of its obligations contained in the Notes, the District Resolution, and this Purchase Agreement, which District Resolution is in full force and effect and has not been amended or supplemented as of the date hereof, and the District covenants that it will advise the Underwriter promptly of any proposal to amend or supplement the District Resolution;

(c) The adoption of the District Resolution and the execution and delivery of this Purchase Agreement and the Note, and compliance with the provisions on the District's part contained therein do not and will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument to which the District is a party or by which the District or, to its knowledge, any of its properties are bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District which materially adversely affects the security for the Notes under the terms of any such law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust bond, note, resolution, agreement or other instrument, except as provided in the District Resolution;

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

(e) Other than as set forth in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental

agency, public board or body, which has been formally served on the District or, to the knowledge of the District, pending or threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; (ii) or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement; or (iii) seeking to restrain, prohibit 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 or assets 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 contesting the powers of the District or its authority with respect to the Notes, the Resolutions or this Purchase Agreement or in any way contesting or affecting the validity or enforceability of the Notes; or (iv) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement or the Resolutions, (b) declare this 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) All representations and warranties set forth in the District Resolution are true and correct on the date hereof and are made for the benefit of the Underwriter as if set forth herein;

(g) The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Notes;

(h) The District has not issued and will not issue any obligation or obligations, other than the Notes, to finance the working capital deficit for which the Notes are being issued or which may or must be repaid from the Pledged Revenues, or that ranks prior to or on a parity with the pledge of Pledged Revenues created by the Resolutions;

(i) Both at the time of acceptance hereof by the District, and at the Closing Date and at all times subsequent thereto during the period up to and including twenty-five (25) days after the end of the underwriting period (as described below), the Preliminary Official Statement as of its date and the Official Statement are and will be true, correct and complete in all material respects and the Official Statement does not and will not, as of the Closing Date and at all times subsequent thereto during the period up to and including twenty-five (25) days after the end of the underwriting period (as described below), omit to state any material fact necessary to make the statements and information contained therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(j) If between the date of this Purchase Agreement and twenty-five (25) days after the end of the underwriting period an event occurs or facts or conditions become known, of which the District has knowledge, which in the opinion of the Underwriter, might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if in the opinion of the Underwriter such event, fact or condition requires the preparation and publication of a

supplement or amendment to the Official Statement, the District will amend or supplement the Official Statement in a form and in a manner approved by the Underwriter

(1) For purposes of this Purchase Agreement, the "End of the Underwriting Period" is used as defined in Rule and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Notes. Unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date;

(k) The terms and provisions of this Purchase Agreement comply in all material respects with the requirements of the District Resolution, and on the Closing Date, the District Resolution will be in full force and effect and will not have been supplemented or amended, and this Purchase Agreement constitutes, and the District Resolution, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute, the valid and binding obligations of the District, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(l) The District is not in violation or breach of or default under any applicable law or administrative rule or regulation of the United States or any state thereof having jurisdiction over the District or its properties, or of any department, division, agency or instrumentality of any state thereof, or any applicable court judgment or administrative decree or order, or any lease, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise (to its knowledge) subject or bound, or to which any of its property is otherwise subject, which in any way materially affects the issuance of the Notes or the validity thereof, this Purchase Agreement or the District Resolution, or materially adversely affects the ability of the District to perform any of its obligations under any thereof;

(m) The Unrestricted Revenues received by the District in the months ending July 31, 2012 and August 31, 2012 used to repay the Notes constitute State apportionment funding previously due to the District during Fiscal Year 2011-12 but which, due to the deferral of certain State monies by the State, will not be received until the fiscal year following Fiscal Year 2011-12 (the "Deferred Revenues"). Any such Deferred Revenues shall be accrued to Fiscal Year 2011-12 and are determined to be legally available to pay the principal of and interest on the Notes.

(n) The District will punctually pay or cause to be paid the principal of and interest on the Notes in strict conformity with the terms of the Resolutions and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the Resolutions. The District will cause the Pledged Revenues to be deposited in the Moreno Valley Unified School District, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund") as follows: (i) an amount equal to 50% of the principal amount of the Notes on or before July 31, 2012, and (ii) an amount equal to 50% of the principal amount of the Notes, 100% of the interest to be due on the Notes, and any deficiency in amounts required to be previously deposited in the Repayment Fund on or before August 31, 2012.



(o) Any certificate signed by an authorized officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District in connection with this Purchase Agreement to the Underwriter as to the statements made therein for the purposes for which such statements are made;

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

(q) The District Resolution creates a valid pledge of, lien on, and security interest in, the Notes and the other funds and assets purported to be pledged under such District Resolution, prior in right to any other pledge, lien or security interest in the Notes or such other funds and assets;

(r) All of the Notes shall be general obligations of the District, and, to the extent not paid from revenues pledged thereto, they shall be paid from any other moneys of the District lawfully available therefor, and shall not payable from County moneys or other assets;

(s) Other than as described in the Official Statement, the District has not within the current or preceding fiscal year received a qualified or negative certification on any interim financial report pursuant to Section 42131 of the Education Code, and the District does not expect to receive a qualified or negative certification on any such interim financial report within the remainder of the current fiscal year;

(t) The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Agreement is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District in such quantities as may be requested by the Underwriters not later than five (5) business days following the date this Purchase Agreement is signed, in order to permit the Underwriters to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board; and

(u) The District agrees, pursuant to the District Resolution and as described in the Preliminary Official Statement and the Official Statement, to provide or cause to be provided to the Municipal Securities Rulemaking Board in a timely manner notice of certain enumerated events respecting the Notes and the related Notes. At or prior to the Closing, the District shall have duly authorized, executed and delivered a continuing disclosure certificate requiring the District to provide notices of such events (the "Continuing Disclosure Certificate"). These agreements have been made in order to assist the Underwriter in complying with the Rule. Except as disclosed in the Official Statement, the District has not, within the past five years, failed to file any portions of the Annual Reports and notices of enumerated event required by its existing continuing disclosure obligations.

6. **Representations, Warranties and Agreements of the County.** The County represents, warrants and agrees as follows:

(a) The County is, and will be at the Closing date, a duly organized, validly existing and operating political subdivision pursuant to the laws of the State, with full power and authority to issue the Notes on behalf of the District and to observe and perform the covenants and agreements set forth in the County Resolution and this Purchase Agreement;

(b) By official action of the County, prior to or concurrently with the acceptance hereof, the County has adopted its County Resolution, and authorized and approved the execution and delivery of this Purchase Agreement, and the performance of its obligations contained in the County Resolution and this Purchase Agreement, and the County Resolution is in full force and effect and has not been amended or supplemented as of the date hereof, and the County covenants that it will advise the Underwriter promptly of any proposal to amend or supplement the County Resolution;

(c) The adoption of the County Resolution and the execution and delivery of this Purchase Agreement and the Notes, and compliance with the provision on the County's part contained therein do not and will not conflict with or constitute a breach of or default under the law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument to which the County is a party or by which the County is bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever which materially adversely affects the security for the Notes under the terms of any such law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust bond, note, resolution, agreement or other instrument, except as provided in the County Resolution;

(d) To the best of the County's knowledge there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, public board or body, which has been formally served on the County or, to the knowledge of the County, pending or threatened against the County seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or the pledge or application of the Notes pursuant to the County Resolution, to an extent which would have a materially adverse effect on the security for the Notes or in any way contesting or affecting the validity of any proceedings of the County taken concerning the issuance or sale of the Notes, the County Resolution and this Purchase Agreement or any other agreement or instrument to which the County is a party or by which the County is bound or contesting in any way the completeness or accuracy of the Section in the Preliminary Official Statement or the Official Statement entitled "RIVERSIDE COUNTY POOLED INVESTMENT FUND," as amended or supplemented, or the existence or powers of the County relating to the issuance of the Notes, the adoption of the County Resolution or the execution and delivery of this Purchase Agreement;

(e) All representations and warranties set forth in the County Resolution are true and correct on the date hereof and are made for the benefit of the Underwriter as if set forth herein;

(f) The County has not issued and will not issue any obligation or obligations, other than the Notes, to finance the working capital deficit of the District for which the Notes are being issued;

(g) The terms and provisions of this Purchase Agreement comply in all material respects with the requirements of the County Resolution, and on the Closing Date, the County Resolution will be in full force and effect and will not have been supplemented or amended, and the County Resolution constitutes, and this Purchase Agreement, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute, the valid and binding obligations of the County, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(h) The County is not in violation or breach of or default under any applicable law or administrative rule or regulation of the United States or any state thereof having jurisdiction over the County, or of any department, division, agency or instrumentality of any state thereof, or any applicable court judgment or administrative decree or order, or any lease, note, resolution, indenture, contract, agreement or other instrument to which the County is a party or is otherwise (to its knowledge) subject or bound, which in any way materially affects the issuance of the Notes or the validity thereof, this Purchase Agreement or the County Resolution, or materially adversely affects the ability of the County to perform any of its obligations under any thereof;

(i) Any certificate signed by an authorized officer of the County and delivered to the Underwriter or shall be deemed a representation and warranty by the County in connection with this Purchase Agreement to the Underwriter as to the statements made therein for the purposes for which such statements are made; and

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

7. **Representations, Warranties 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 County and 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, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with the District or the County 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.

(d) The Underwriter agrees to provide to the District written notice of the commencement of the period specified in Section 5(j) hereof.

8. **Conditions to Closing.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants of the County and the District contained in the Resolutions and to be contained in the documents and instruments to be delivered at the Closing (hereinafter referred to collectively as the "Delivery Certificates") and upon the performance by the District and the County of their respective obligations hereunder and under the Resolutions (collectively, the "Documents"), both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligation under this Purchase Agreement to purchase, to accept delivery of and to pay for the Notes shall be subject to the performance by the County and the District of their respective obligations to be performed hereunder and under the Documents to which they are a party at or prior to the Closing and shall also be subject to the following conditions, including the delivery by the District of such documents as are contemplated hereby in form and substance satisfactory to Bond Counsel and to the following additional conditions:

(a) The representations and warranties of the County and the District contained herein and in their respective Delivery Certificates shall be true, complete and correct in all material respects as of the date thereof, and the representations and warranties of the County and the District contained in their respective resolution shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing. The County and the District shall inform the Underwriter prior to the Closing if it has actual knowledge that any of the representations and warranties contained herein or in their respective Delivery Certificate, or resolution has become false or misleading prior to the Closing.

(b) At the time of the Closing, all official action of the County and the District relating to the Resolutions shall be in full force and effect and shall not have been revoked, amended, modified or supplemented.

(c) The Underwriter shall have the right to terminate the Underwriter's obligation under this Purchase Agreement to purchase, to accept delivery of and to pay for the Notes by notifying the District and the County of its election to do so if, after the execution hereof and prior to the Closing:

(i) the offering, sale and delivery of the Notes or the market price thereof, in the reasonable opinion of the Underwriter, has been or will be materially and adversely affected by an amendment or proposed amendment to the Constitution of the United States or the State or by any federal or State legislation or the promulgation or proposed promulgation of any rule or regulation thereunder or by any decision of any federal, State, or local court or by any ruling or regulation (final, temporary or proposed)

by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, affecting (1) the federal income tax status of the District, its property or income or its obligations (including the Notes) or (2) the federal income tax status of the interest on the Notes or the validity of the Notes or any of the Documents; or

(ii) there shall have occurred any outbreak of hostilities or escalation of hostilities or change in financial markets other national or international calamity or crisis, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States or authorities of the States of New York or California; or

(iv) there shall have occurred any adverse change or any development involving a prospective change in the condition, financial or otherwise, of the District, which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or

(v) there shall have occurred a default under any federal bankruptcy laws by or against any state of the United States or any local agency located in the State or any local agency located in the United States having a population of over 500,000, the effect of which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or

(vi) legislation shall be enacted, or a decision of a court of competent jurisdiction shall be rendered or any action shall be taken by or on behalf of, the Securities and Exchange Commission, the California Department of Corporations or any other federal or state governmental agency having jurisdiction in the subject matter which, in the opinion of counsel to the Underwriter, has the effect of requiring registration or qualification of the issuance, offering or sale of the Notes, or of obligations of the general character of the Notes as contemplated hereby, under the Securities Act of 1933, as amended, or the Trust Agreement under the Trust Indenture Act of 1939, as amended; or

(vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Notes or obligations of the general character of the Notes, any material restrictions not now in force or being enforced, or increase materially those now in force, with respect to extension of credit by, or the charges to the net capital requirements of, the Underwriter; or

(viii) any event shall have occurred or shall exist which either (A) makes untrue or incorrect in any material respect any statement or information contained in or appended to the Official Statement, or (B) is not reflected in the Official Statement or the

Appendices thereto and should be reflected therein in order to make the statements and information contained therein not misleading in any material respect (for the purposes of this paragraph the Preliminary Official Statement shall be deemed to be the Official Statement until such time as a final Official Statement is printed and delivered to the Underwriter); or

(ix) the withdrawal, downgrading, or change in credit watch status of any rating of the District's outstanding indebtedness by a national rating agency.

(d) At or prior to the Closing, the Underwriter shall have received the following documents:

(1) The Official Statement.

(2) A certified copy of the County Resolution.

(3) A certified copy of the District Resolution.

(4) The unqualified approving opinion, dated the Closing Date and addressed to the District, of Bond Counsel in the form attached to the Official Statement as Appendix B, together with a letter to the Underwriter stating that the Underwriter is entitled to rely on such approving opinion.

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

(i) the statements contained in the Official Statement dated March \_\_, 2012 (the "Official Statement") under the captions "INTRODUCTION," "THE NOTES," "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES," and "TAX MATTERS" insofar as such statements expressly summarize certain provisions of the Notes, the Resolutions and the the form and content of Bond Counsel's approving opinion with respect to the Notes, fairly and accurately summarize the information presented therein; and

(ii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(6) An opinion of Stradling Yocca Carlson & Rauth, in its role as Disclosure Counsel, addressed to the District in a form and substance satisfactory to the District.

(7) Certificates from each of the County and the District, dated the Closing Date and signed by an authorized officer of the County or the District, respectively, to the effect that, to their best knowledge, belief and information:

(i) the representations and warranties of the County or District contained in this Purchase Agreement are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing;

(ii) none of the proceedings or authority for the execution and delivery of the Note by the County or the District has been repealed modified, amended, revoked or rescinded; and

(iii) no event affecting the County or the District has occurred since the date of the Official Statement which is not described in the Official Statement but should be disclosed in such Official Statement in order to make the statements and information therein not misleading in any material respect.

(8) At the Closing, a certificate of the District executed by an authorized officer of the District, in form and substance acceptable to the Underwriter and Bond Counsel, dated as of the Closing Date, setting forth facts, estimates and circumstances concerning the use or application of the proceeds of the Notes, and stating in effect that on the basis of such facts, estimates and circumstances in existence on the date of the Closing, it is not expected that the proceeds of such Notes will be used in a manner that would cause such Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986 (the "Code") and the regulations promulgated thereunder or under the statutory predecessor of the Code.

(9) At or prior to the Closing, evidence shall be delivered that the Notes shall have been rated "\_\_\_\_\_" by Standard & Poor's, and that such rating is in full force and effect as of the Closing Date.

(10) Evidence satisfactory to the Underwriter that the federal tax information Form 8038-G has been prepared for the District;

(11) A copy of the Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission ("CDIAC") pursuant to Section 8855(k) of the California Government Code.

(12) Opinions, dated the Closing Date, of counsel to the District and the County in substantially the forms attached hereto as Exhibit A and B, respectively.

(13) A Continuing Disclosure Certificate signed by an appropriate official of the District substantially in the form of Appendix C to the Preliminary Official Statement.

(14) Such legal opinions, certificates, proceedings, instruments and other documents as Counsel for the Underwriter or Bond Counsel may reasonably request to evidence (i) compliance by the County or the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the County or the District herein contained or as contained in the Delivery Certificate, (iii) the due performance or satisfaction by the County or the District at or prior to such time of all agreements then required to be performed and all conditions then required to be satisfied

by the County or the District, and (iv) that the information concerning the County or the District in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, and only if, they are in form and substance satisfactory to the Underwriter.

If the County or the District shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes contained in this Purchase Agreement, or if the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the County nor the District shall be under further obligation hereunder, and except that the respective obligations of the County, the District and the Underwriter set forth in Section 11 hereof shall continue in full force and effect.

9. **Expenses.** (a) Upon the delivery of the Notes to and payment thereof from the Underwriter, the District shall pay solely from the proceeds of the Notes, all expenses incident to the issuance of the Notes, including, but not limited to, (i) the cost of printing and preparation for printing of the preliminary and final Official Statements, as well as the postage or delivery costs incurred in connection with distribution of the preliminary and final Official Statements in connection with the offering of the Notes; (ii) the cost of preparing the definitive Notes; (iii) the fees and disbursements of Bond and Disclosure Counsel, the rating agency and any other experts or consultants and the fees and expenses of any counsel retained by any such person or firm; and (iv) Blue Sky registration fees, if any.

(b) The Underwriter shall pay: (i) all advertising expenses in connection with the offering of the Notes; (ii) all other expenses incurred by them in connection with the offering and distribution of the Notes; (iii) the fees of CUSIP and CDIAC in connection with the Notes.

10. **Notices.** Any notice or other communication to be given to the District under this Purchase Agreement may be given by delivering the same in writing if to the County, to the Treasurer of the County of Riverside, 4080 Lemon Street, 4th Floor, Riverside, California 92501; if to the District, to Moreno Valley Unified School District, 25634 Alessandro Boulevard, Moreno Valley, California 92553; and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Jaffray & Co., 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245, Attention: \_\_\_\_\_.

11. **Parties In Interest.** This Purchase Agreement is made solely for the benefit of the County, the District and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the County and the District contained in this Purchase Agreement and the Resolutions shall remain operative and in full force and effect regardless of (i) any investigations made by or on behalf of the Underwriter, (ii) delivery of any payment for the Notes pursuant to this Purchase Agreement and (iii) any termination of this Purchase Agreement.



12. **Indemnification.** The District hereby agrees to indemnify, defend and hold harmless, to the extent permitted by law, the County and its officials and employees (“Indemnified Parties”), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the adoption of the Resolution, or related to the proceedings for sale, award, issuance, and delivery of the Notes in accordance therewith and herewith. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

13. **Execution.** This Purchase Agreement shall become effective upon the execution of the acceptance hereof by a duly authorized signatory of the County and by a duly authorized signatory of the District, which acceptance hereof shall be indicated on the signature page hereof, and shall be valid and enforceable as of the time of such acceptance. This Purchase Agreement may be executed by facsimile transmission and in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

14. **Governing Law.** This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

Very truly yours,

**PIPER JAFFRAY & CO.**

By: \_\_\_\_\_  
Authorized Representative

Accepted this \_\_\_st day of February, 2012

**MORENO VALLEY UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Chief Business Official

**COUNTY OF RIVERSIDE**

By:  \_\_\_\_\_  
Treasurer

Reviewed and Approved:

By: \_\_\_\_\_  
County Counsel

## EXHIBIT A

### FORM OF OPINION OF COUNSEL TO THE DISTRICT

Board of Education  
Moreno Valley Unified School District  
Moreno Valley, California

Piper Jaffray & Co.  
El Segundo, California

*Moreno Valley Unified School District  
(Riverside County, California)  
2011-12 Tax and Revenue Anticipation Notes*

Ladies and Gentlemen:

We are the counsel for the Moreno Valley Unified School District (the "District"), and in such capacity are familiar with all the facts and circumstances in connection with that certain resolution of the District (the "Resolution"), adopted by the Board of Education of the District (the "Governing Board") authorizing the borrowing of funds for fiscal year 2011-12 by means of the issuance of the District's 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement for the Notes, entered into by and among the District, the County of Riverside, and Piper Jaffray & Co. (the "Purchase Agreement").

We have examined and relied upon such records, documents, certificates, and other matters as are in our judgment necessary to enable us to render the opinions expressed herein. Based on the foregoing, and with regard to California law and the federal laws of the United States of America, we are of the opinion that:

1. The District is a duly organized, validly existing and operating school district pursuant to the laws of the State of California.
2. The District Resolution was duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.
3. The District Resolution and the Purchase Agreement have been duly executed and remain in effect and valid, binding and enforceable against the District, except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors; rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. To the best of our knowledge, without independent investigation, and in sole reliance on a signed certificate of the District to such effect, there is no litigation against the District of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or any of the proceedings taken with respect to the issuance and sale of the Notes, the application of moneys to the payment of the Notes or in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes or the title of officials of the District who have acted with respect to the proceedings for the issuance and sale of the Notes to their respective offices.

5. To the best of our knowledge, without independent investigation, and in sole reliance on a signed certificate of the District to such effect, the issuance of the Notes does not and will not conflict with or constitute on the part of the District a material breach of, or a default under any instrument, to which the District is subject or by which it is bound.

## EXHIBIT B

### FORM OF OPINION OF COUNTY COUNSEL

*Moreno Valley Unified School District  
(Riverside County, California)  
2011-12 Tax and Revenue Anticipation Notes*

1. The County is a political subdivision duly organized and validly existing under the laws of the State of California.
2. The County Resolution was duly adopted at a meeting of the Board of Supervisors of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.
3. The County Resolution and the Purchase Agreement have been duly executed and remain in effect and valid, binding and enforceable against the County except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors; rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.
4. To the best of our knowledge, there is no litigation against the County of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or any of the proceedings taken with respect to the issuance and sale of the Notes, the application of moneys to the payment of the Notes or in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes or the title of officials of the County who have acted with respect to the proceedings for the issuance and sale of the Notes to their respective offices.
5. The issuance of the Notes does not and will not conflict with or constitute on the part of the County a material breach of, or a default under any instrument, to which the County is subject or by which it is bound.

**RESOLUTION NO. 2011-12-44**

**RESOLUTION OF THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2011-12 TAX AND REVENUE ANTICIPATION NOTES AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES**

**WHEREAS**, pursuant to Sections 53850 *et seq.* of the Government Code of the State of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing" on or after the first day of any fiscal year (being July 1), a school district may borrow money by issuing notes for any purpose for which the 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 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 the county, the county superintendent of schools of which has jurisdiction over such school district, as soon as possible following the receipt of a resolution of the governing board of such school district requesting the borrowing; and

**WHEREAS**, the County Superintendent of Schools (the "County Superintendent") of the County of Riverside (the "County") has jurisdiction over the Moreno Valley Unified School District (the "District"), and this Board of Education (the "Board"), being the governing board of the District, hereby requests the borrowing of not-to-exceed \$39,000,000 at an interest rate not to exceed the maximum rate allowed by law, through the issuance by the Board of Supervisors of the County (the "County Board") of 2011-12 Tax and Revenue Anticipation Notes (the "Notes") in the name of the District, such Notes to be sold by negotiated sale as authorized hereby; and

**WHEREAS**, such Notes may be made payable no later than thirteen months after the date of delivery thereof; and

**WHEREAS**, pursuant to Section 53856 of the Act, the District may pledge to the payment of the Notes any taxes, income, revenue (including but not limited to, revenue from State and federal governments), cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting moneys encumbered for a special purpose); and this Resolution specifies that certain of such revenues which will be received by the District for the General Fund thereof shall be pledged for the payment of the Notes; and

**WHEREAS**, the Notes shall be a general obligation of the District, and, to the extent not paid from Unrestricted Revenues (defined herein) pledged for the payment thereof, shall be paid with interest therein from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act, and shall not in any way be payable from County moneys; and

**WHEREAS**, the Notes shall be in denominations of \$5,000 principal amount, or integral multiples thereof, as permitted by Section 53854 of the Act; and the Notes shall further be issued on a date to be designated pursuant to, and shall be in the form and executed in the manner prescribed in this Resolution, and the County Resolution (defined herein), all as permitted and required by Section 53853 of the Act; and

**WHEREAS**, the Board has found and determined that said \$39,000,000 maximum principal amount of Notes to be issued in the name of the District by the County Board in fiscal year 2011-12, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and interest thereon, as required by Section 53858 of the Act; and

**WHEREAS**, 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; and

**WHEREAS**, the District received a qualified certification on its second interim report for fiscal year 2010-11 and, as a result, the issuance of the Notes shall be conditioned on the receipt by the District of a finding by the County Superintendent, pursuant to Section 42133 of the Education Code, that the District's repayment of the Notes is probable;

**NOW, THEREFORE**, the Board of Education of the Moreno Valley Unified School District hereby resolves as follows:

**Section 1. Authorization of Issuance of Notes; Terms Thereof; Paying Agent.** The Board hereby requests the County Board to issue, in the name of the District, an amount not to exceed \$39,000,000 principal amount of Notes under Sections 53850 *et seq.* of the Act, designated "Moreno Valley Unified School District, County of Riverside, State of California, 2011-12 Tax and Revenue Anticipation Notes." The Notes are authorized to be issued in one or more series of Notes, with appropriate series designation, numbered from 1 consecutively upward in order of issuance, and in the denominations of \$5,000 principal amount or integral multiples thereof. The Notes shall be dated the date of delivery thereof; shall mature (with or without option of prior redemption, as set forth in the Note Purchase Agreement defined herein) on a day (or days, if more than one series of Notes is issued) in which banks in New York or California are open for business and no later than thirteen months after the date of issuance (on a 30-day month/360-day year basis); and shall bear interest, payable on or before maturity and computed on a 30-day month/360-day year basis, at the per annum rate or rates set forth in the Note Purchase Agreement relating for the Notes (the "Note Purchase Agreement"), by and among the County, the District and Piper Jaffray & Co. (the "Underwriter"), but not in excess of the maximum rate allowed by law.

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 principal corporate trust office of U.S. Bank National Association, which is hereby designated as the paying agent, authentication agent, registrar and transfer agent for the Notes (in such capacity, the "Paying Agent"). For purposes of the Notes, the Paying Agent shall be deemed to be a "fiscal agent" within the meaning of Section 53601 of the Government Code of the State of California. This Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable.

**Section 2. Form of Notes.** The Notes shall be issued in registered form and shall be substantially in the form set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes shall be initially

registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one or more note certificates, in the full principal amount of the Notes. 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 resolution of the County Board authorizing the issuance of the Notes by the County pursuant to Section 53853 of the Act (the "County Resolution"). There shall be attached to each Note, the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, respecting the validity of said Notes.

**Section 3. Deposit of Note Proceeds; No Arbitrage.** The moneys so borrowed shall be deposited in the General Fund of the District. 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 Internal Revenue Code of 1986, as amended (the "Code"); 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 4. Payment of Notes.**

(A) **Source of Payment.** The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), as provided in Section 53856 of the Act, and which are generally available for the payment of current expenses and other obligations of the District (collectively, the "Unrestricted Revenues").

To the extent the Notes mature during the fiscal year succeeding fiscal year 2011-12, the Notes shall be payable only from Unrestricted Revenues which are received in or accrued to fiscal year 2011-12. Included in such revenues are State apportionments which otherwise would have been or would be received in the period from July 2011 through June 2012, but which, due to the deferral of such monies by the State, will not be received until after June 30, 2012 (collectively, the "Deferred Revenues"). The Deferred Revenues are hereby determined to be accrued to the District's 2011-12 fiscal year, and are further determined to be lawfully available to pay the principal of and interest on the Notes.

The Notes shall be a general obligation of the District, and to the extent the Notes are not paid from the Unrestricted Revenues pledged to the repayment thereof described herein, 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 Purchase Agreement or in the Notes, as security for the payment of the principal of and interest on the Notes, the District hereby pledges an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at maturity from the first Unrestricted Revenues received by the District in the month ending July 31, 2012; and an amount sufficient to fifty percent (50%) of the principal of and interest due on the Notes at maturity, as well as any deficiency in the amount required to be deposited during



any prior month, from the first Unrestricted Revenues received by the District in the month ending August 31, 2012 (such pledged amounts being hereinafter called the "Pledged Revenues"). Unless otherwise provided for in the Note Purchase Agreement, the Pledged Revenues shall be deposited by the District no later than the last day of each month specified above into the Repayment Fund (defined herein).

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, of the full amount of Pledged Revenues to be deposited from such Unrestricted Revenues, 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, while provision for the payment of principal and interest on the Notes has not been made, the District will not request the County Treasurer-Tax Collector (the "Treasurer-Tax Collector") to make temporary transfers of funds in the custody of the Treasurer-Tax Collector to meet any obligations of the District during the 2011-12 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

(D) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be held in a special fund designated as the "Moreno Valley Unified School District, 2011-12 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-Tax Collector, shall direct the moneys in the Repayment Fund to be invested, as provided in Section 4(E) of this Resolution. 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.

Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested at the request of the District in either investment securities by the Treasurer-Tax Collector (or independent fiscal agent), or otherwise as permitted by applicable California law and Section 9 hereof, 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 5. Execution of Notes.** The District hereby requests the Chairman of the County Board of Supervisors to sign the Notes manually or by facsimile signature; the Treasurer-Tax Collector to sign the Notes manually; the Executive Officer-Clerk of the County Board (the "Clerk") to countersign the Notes manually or by facsimile signature; 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. The District also authorizes the Paying Agent to authenticate the Notes. No Note shall be valid or obligatory for any purpose or shall be entitled to any security or benefit hereunder unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

**Section 6. Section 6. Authorization of Preliminary Official Statement, Official Statement.** The Preliminary Official Statement relating to the Notes, substantially in the form on file with the Secretary to the Board or Clerk of the Board is hereby approved and the Superintendent and the Chief Business Official, or a designee thereof (collectively, the "Authorized Officers"), each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to the Underwriter to be used in connection with the offering and sale of the Notes. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement "final" pursuant to 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Notes and is directed to deliver copies of any final Official Statement to the purchasers of the Notes. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement.

**Section 7. Approval of Note Purchase Agreement.** The Board hereby approves the sale of the Notes at a negotiated sale. The form of Note Purchase Agreement for the Notes, by and among the District, the County and the Underwriter, substantially in the form presented to this meeting and on file with the Secretary to the Board or Clerk of the Board, is hereby approved. The Authorized Officers, each alone, are hereby authorized to execute and deliver the Note Purchase Agreement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed that authorized by law and that the Underwriter's discount shall not exceed 0.5% of the par amount of the Notes. The Authorized Officers are hereby further authorized to determine the maximum principal amount of Notes to be specified in the Note Purchase Agreement, up to \$39,000,000 and to enter into and execute the Note Purchase Agreement with the Underwriter and the County, if the conditions set forth in this Resolution and the County Resolution are satisfied.

**Section 8. Delivery of Notes.** The proper officers of the County Board are hereby requested to deliver the Notes to the purchaser thereof. All actions heretofore taken by the officers and agents of the Board, including the Authorized Officers or their designees, with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the Board, including the Authorized Officers, are hereby authorized and directed to do any and all things and take any and all actions

which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and the County Resolution.

**Section 9. Proceeds of Notes Conditionally Pledged; Investment of Note Proceeds; Authorization to Invest Note Proceeds.** 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. In addition to investments in the Pooled Investment Fund maintained by the Treasurer-Tax Collector, 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 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; or (ii) the Local Agency Investment Fund administered by the State of California.

**Section 10. Continuing Disclosure.** The Board hereby covenants and agrees that it will comply with and carry out, and authorizes and directs the Authorized Officers, each alone, to comply and carry out, all of the provisions of that certain Continuing Disclosure Certificate 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 (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default under this Resolution; however, any Noteholder 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 Section. The preparation of a Continuing Disclosure Certificate is hereby approved, and the Authorized Officers, each alone, hereby authorized and directed to execute and deliver to the original purchaser of the Notes such Continuing Disclosure Certificate, with such changes therein as any such official may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 11. Transmittal of Resolution.** The Superintendent or a designee of the District is hereby directed to send a certified copy of this Resolution to the County Board, the Treasurer-Tax Collector and the County Superintendent.

**Section 12. Further Actions Authorized.**

(A) Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby designated as Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Notes. Fieldman, Rolapp & Associates, Inc. is hereby designated as the Financial Advisor to the District in connection with the issuance of the Notes. Piper Jaffray & Co., is hereby designated as the Underwriter of the Notes.

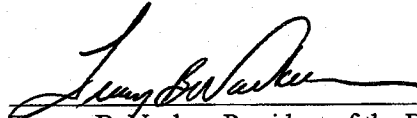
(B) Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Notes and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and

approved. It is hereby covenanted that the 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 carrying out the provisions of this Resolution.

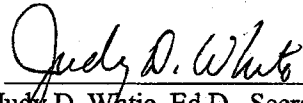
(C) The provisions of this resolution as they relate to the terms of the Notes may be amended by the Note Purchase Agreement.

**PASSED AND ADOPTED** by the Board of Education of the Moreno Valley Unified School District this 21<sup>st</sup> day of February 2012, by the following vote:

AYES: 4  
NOES: 0  
ABSENT: 1 - Rios  
ABSTAIN: 0

By:   
Tracey B. Vackar, President of the Board of Education, Moreno Valley Unified School District

ATTEST:

By:   
Judy D. Watie, Ed.D., Secretary to the Board of Education, Moreno Valley Unified School District

SECRETARY'S CERTIFICATE

I, Dr. Judy D. White, Secretary to the Board of Education of the Moreno Valley Unified School District, Riverside County, California, hereby certify as follows:

The following is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held at the regular meeting place thereof on February 21, 2012, of which meeting all of the members of the Board of Education of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in the Superintendent's office and the foregoing is a full, true and correct copy of the original regulation adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: February 21, 2012

By: \_\_\_\_\_

*Judy D. White*

Secretary to the Board of Education  
Moreno Valley Unified School District

EXHIBIT A  
FORM OF NOTE

REGISTERED  
No. \_\_\_

REGISTERED  
\$

MORENO VALLEY UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA  
2011-12 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest:                      Note Date:                      Maturity Date:                      CUSIP:  
\_\_\_\_\_%                                      \_\_\_\_\_, 2012                                      \_\_\_\_\_, 20\_\_

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 assigns, at the corporate trust office of U.S. Bank National Association (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year of twelve 30-day months), in like lawful money of the United States of America from the Note Date specified above 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 (the "County") duly passed and adopted on March 6, 2012 and a Resolution of the Board of Education of the District duly passed and adopted on February 21, 2012, 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 (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but

excepting certain moneys encumbered for a special purpose), received in or accrued to fiscal year 2011-12, and which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at maturity from the first Unrestricted Revenues received by the District in the month ending July 31, 2012; and an amount equal to fifty percent (50%) of the principal of and interest due on the Notes at maturity, as well as any deficiency in the amount required to be deposited during any prior month, from the first Unrestricted Revenues received by the District in the month ending August 31, 2012 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge on such Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the corporate trust office of the Paying Agent, in Los Angeles, California, 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 except that this Note shall not be transferred or exchanged later than the 15th day prior to the maturity date hereof. 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, District nor the Paying Agent shall be affected by any notice to the contrary.

Unless this certificate 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 certificate issued is registered in the name of Cede & 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.

IN WITNESS WHEREOF, Riverside County has caused this Moreno Valley Unified School District, Riverside County, State of California, 2011-12 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 manual or facsimile signature and countersigned by the Treasurer-Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this \_\_\_ day of \_\_\_\_\_, 2012.

RIVERSIDE COUNTY

By: \_\_\_\_\_ [Facsimile Signature]  
Chairman of the Board of Supervisors

By: \_\_\_\_\_  [Manual Signature]  
Treasurer-Tax Collector

Countersigned

By: \_\_\_\_\_ [Facsimile Signature]  
Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Resolutions referred to herein which has been authenticated and registered on \_\_\_\_\_, 2012.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory



LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.

[Facsimile Signature]

\_\_\_\_\_  
Superintendent, Moreno Valley Unified  
School District

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the \_\_\_\_\_ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed by:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

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

\$ \_\_\_\_\_ \*

**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
(Riverside County, California)  
**2011-12 Tax and Revenue Anticipation Notes**

Interest Rate: \_\_\_\_\_ %;      Yield: \_\_\_\_\_ %      CUSIP<sup>(1)</sup>: \_\_\_\_\_

**Dated: Date of Delivery**

**Due: \_\_\_\_\_, 2012\***

*This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire official statement to obtain information essential to making an informed investment decision.*

The Moreno Valley Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Moreno Valley Unified School District (the "District"), prior to the receipt of anticipated tax payments, income and other revenues thereof. The Notes will be in denominations of \$5,000 or any integral multiple thereof and will be dated the date of their delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District, upon maturity, at the principal trust office of U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent").

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

The Notes will be issued in fully registered form, and when delivered will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York, which will act as securities depository for the Notes. **Purchasers will not receive physical Notes representing their ownership interest in the Notes.** Principal and interest on the Notes will be payable when due as described under "APPENDIX E – BOOK ENTRY-ONLY SYSTEM."

The Notes are payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for payment of current expenses and other obligations of the District, and which are received in or accrued to the District's 2011-12 fiscal year (collectively, the "Unrestricted Revenues"). As security for payment of the Notes, the District has pledged to deposit into a repayment fund for the Notes (i) the first Unrestricted Revenues received by the District in the month ending July 31, 2012 equal to 50% of the principal of and interest due on the Notes at maturity, and (ii) the first Unrestricted Revenues received by the District in the month ending August 31, 2012, equal to 50% of the principal of and interest due on the Notes at maturity and any deficiency in amounts previously required to be deposited therein (collectively, the "Pledged Revenues"). The Notes shall constitute a first lien and charge thereon and payable from such Pledged Revenues. Pursuant to State of California law and the District's resolution authorizing the issuance of the Notes, the District has determined that the Pledged Revenues are Unrestricted Revenues thereof received in or accrued to fiscal year 2011-12 and available to pay the Notes. The Notes are a general obligation of the District, and to the extent not paid from the Pledged Revenues described herein, the Notes shall be paid from any other moneys of such District lawfully available therefor, as further described herein. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES."

*The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about February \_\_, 2012.*

**Piper Jaffray & Co.**

The date of this Official Statement is February \_\_, 2012.

\* Preliminary, subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

DOCSSF/84935v2/022590-0048

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

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

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

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

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

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 "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted 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, unless authorized in writing by the District.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES AT LEVELS 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 SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Notes.

## SUMMARY STATEMENT

**This summary statement is subject in all respects to more complete information contained in this Official Statement and the offering of the Notes to potential investors is made only by means of the entire Official Statement.**

- Purpose:** The Notes are being sold to fund short term operating cash requirements of the District.
- Security for the Notes:** The District is required to make Note payments only out of taxes, income, revenue, cash receipts and other moneys of the District received in or accrued to the fiscal year 2011-12 and legally available for payment thereof.
- Form of the Notes:** The Notes will be issued in registered form. Purchases of the Notes will be made in book-entry form in the denomination of \$5,000 each or any integral multiple thereof.
- Redemption:** The Notes are not subject to redemption prior to maturity.

**Neither the District nor County officers or employees nor any persons executing the Notes shall be personally liable or accountable by reason of the execution and delivery thereof.**

|  |           |
|--|-----------|
| <b>INTRODUCTION .....</b>  | <b>1</b>  |
| GENERAL .....  | 1         |
| THE DISTRICT .....   | 1         |
| SECURITY AND SOURCES OF PAYMENT .....  | 2         |
| OFFERING AND DELIVERY OF THE NOTES .....   | 2         |
| CONTINUING DISCLOSURE .....  | 2         |
| PROFESSIONALS INVOLVED IN THE OFFERING.....                                      | 2         |
| <b>THE NOTES .....</b>   | <b>2</b>  |
| AUTHORITY FOR ISSUANCE.....  | 2         |
| PURPOSE OF ISSUE .....   | 2         |
| GENERAL PROVISIONS .....   | 3         |
| REDEMPTION.....  | 3         |
| AUTHORIZED INVESTMENTS .....   | 3         |
| <b>SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES.....</b>                     | <b>3</b>  |
| SECURITY FOR THE NOTES .....   | 3         |
| AVAILABLE SOURCES OF PAYMENT .....   | 4         |
| DEFERRED REVENUES.....   | 5         |
| DELAY IN THE RECEIPT OF DEFERRED REVENUES .....                                  | 5         |
| LIMITATIONS ON NOTEHOLDER REMEDIES; BANKRUPTCY .....                             | 6         |
| PROHIBITION ON COUNTY BORROWING .....  | 6         |
| PROJECTED AND ACTUAL CASH FLOWS .....  | 6         |
| ALTERNATIVE CASH FLOW RESOURCES .....  | 9         |
| <b>FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA .....</b>                           | <b>9</b>  |
| STATE FUNDING OF EDUCATION .....   | 9         |
| REVENUE SOURCES.....   | 10        |
| STATE BUDGET MEASURES.....   | 12        |
| <b>CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES .....</b> | <b>19</b> |
| ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION .....                              | 19        |
| LEGISLATION IMPLEMENTING ARTICLE XIII A .....                                    | 20        |
| ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION .....                              | 21        |
| ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION .....           | 21        |
| PROPOSITION 26.....  | 22        |
| PROPOSITIONS 98 AND 111 .....  | 23        |
| PROPOSITION 39.....  | 24        |
| PROPOSITION 1A AND PROPOSITION 22.....   | 25        |
| STATE CASH MANAGEMENT LEGISLATION .....  | 26        |
| FUTURE INITIATIVES .....   | 26        |
| <b>THE DISTRICT .....</b>  | <b>27</b> |
| GENERAL INFORMATION.....   | 27        |
| ADMINISTRATION .....   | 27        |
| AVERAGE DAILY ATTENDANCE.....  | 28        |
| LABOR RELATIONS .....  | 28        |
| DISTRICT RETIREMENT SYSTEMS.....   | 28        |
| OTHER POSTEMPLOYMENT BENEFITS .....  | 30        |
| INSURANCE .....  | 30        |
| AD VALOREM PROPERTY TAXATION .....   | 30        |
| ASSESSED VALUATIONS.....   | 31        |
| APPEALS AND REDUCTIONS OF ASSESSED VALUATIONS.....                               | 32        |
| SECURED TAX CHARGES AND DELINQUENCIES .....                                      | 32        |
| TAXATION OF STATE-ASSESSED UTILITY PROPERTY.....                                 | 33        |
| ALTERNATIVE METHOD OF TAX APPORTIONMENT .....                                    | 33        |

|  |           |
|--|-----------|
| ACCOUNTING PRACTICES.....  | 34        |
| FINANCIAL STATEMENTS .....   | 34        |
| BUDGET PROCESS .....   | 35        |
| GENERAL FUND BUDGET .....  | 37        |
| EXISTING INDEBTEDNESS.....   | 38        |
| STATEMENT OF DIRECT AND OVERLAPPING DEBT.....  | 39        |
| <b>RIVERSIDE COUNTY POOLED INVESTMENT FUND .....</b>   | <b>39</b> |
| <b>TAX MATTERS.....</b>  | <b>41</b> |
| <b>LEGALITY FOR INVESTMENT IN CALIFORNIA.....</b>  | <b>42</b> |
| <b>RATING.....</b>   | <b>42</b> |
| <b>LITIGATION .....</b>  | <b>43</b> |
| <b>LEGAL OPINION .....</b>   | <b>43</b> |
| <b>INFORMATION REPORTING REQUIREMENTS.....</b>   | <b>43</b> |
| <b>AVAILABILITY OF INFORMATION .....</b>   | <b>43</b> |
| <b>UNDERWRITING .....</b>  | <b>43</b> |
| <b>USE OF FINANCIAL STATEMENTS.....</b>  | <b>44</b> |
| <b>CONTINUING DISCLOSURE.....</b>  | <b>44</b> |
| <b>MISCELLANEOUS.....</b>  | <b>45</b> |
| <br>   |           |
| APPENDIX A – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE REGION OF THE DISTRICT ..... | A-1       |
| APPENDIX B – FORM OPINION OF BOND COUNSEL.....   | B-1       |
| APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....                                    | C-1       |
| APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2010-11 .....        | D-1       |
| APPENDIX E – BOOK ENTRY-ONLY SYSTEM .....  | E-1       |

**MORENO VALLEY UNIFIED SCHOOL DISTRICT**

**Board of Education**

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

**District Administration**

Judy D. White, Ed.D., *Superintendent*  
Mays Kakish, *Chief Business Official*

---

**PROFESSIONAL SERVICES**

**Bond and Disclosure Counsel**

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

**Financial Advisor**

Fieldman, Rolapp & Associates, Inc.  
*Newport Beach, California*

**Underwriter**

Piper Jaffray & Co.  
*El Segundo, California*

**Registrar, Transfer Agent and Paying Agent**

U.S. Bank National Association  
*Los Angeles, California*

\$ \_\_\_\_\_ \*

**Moreno Valley Unified School District  
(Riverside County, California)  
2011-12 Tax and Revenue Anticipation Notes**

**INTRODUCTION**

*This introduction is not a summary of the Official Statement. It is a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement.*

**General**

This Official Statement provides certain information in connection with the issuance, sale and delivery by the County of Riverside (the "County"), in the name and on behalf of the Moreno Valley Unified School District (the "District"), of \$ \_\_\_\_\_\* of the District's 2011-12 Tax and Revenue Anticipation Notes (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 resolutions adopted by the Board of Education of the District (the "District Resolution") and by the Board of Supervisors of the County (the "County Resolution" and together with the District Resolution, the "Resolutions").

The Notes are being issued to provide funds to meet fiscal year 2011-12 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness, of the District. See "THE NOTES – Purpose of Issue."

Brief descriptions of the Notes, the security and sources of payment for the Notes, and the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Chief Business Official of the District.

**The District**

The District was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in the County. The District operates twenty-three elementary schools, six middle schools, five high schools, one charter school, and three other alternative schools. Total enrollment for the District is projected to be 35,896 in fiscal year 2011-12. The District has a 2011-12 total assessed valuation of \$ \_\_\_\_\_. See "THE DISTRICT."

The District is governed by a five-member Board of Education, each member of which is elected at large to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Dr. Judy D. White is the Superintendent and Mays Kakish is the Chief Business Official. See "THE DISTRICT."

---

\* Preliminary, subject to change.



## **Security and Sources of Payment**

As provided in Section 53586 of the Act, the principal amount of the Notes, together with the interest thereon, is payable from taxes, income, revenue (including but not limited to, revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District, and which are received in or accrued to the District's 2011-12 fiscal year (collectively, "Unrestricted Revenues").

As security for the Notes, the District has pledged certain Unrestricted Revenues to the payment thereof, as further described herein. The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Unrestricted Revenues pledged for the payment thereof, will be paid, with interest thereon, from any other moneys of the District legally available therefor. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES."

## **Offering and Delivery of the Notes**

The Notes are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through DTC in New York, New York on or about February \_\_, 2012.

## **Continuing Disclosure**

The District has covenanted that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate relating to the filing of notices of certain material events, as executed by the District as of the date of issuance and delivery of the Notes, and as may be amended from time to time in accordance with its terms. See "CONTINUING DISCLOSURE," and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes, and will receive compensation from the District contingent upon the sale and delivery of the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation, is located at 44 Montgomery Street, Suite 4200, San Francisco, California 94104. U.S. Bank National Association, Los Angeles, California is acting as registrar, transfer agent and paying agent for the Notes.

## **THE NOTES**

### **Authority for Issuance**

The Notes are issued pursuant to the Act and the Resolutions.

### **Purpose of Issue**

Issuance of the Notes will provide funds to meet fiscal year 2011-12 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. Borrowing is necessitated by District general fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts. This results primarily from an uneven pattern of payments from State and federal sources, including the deferral by the State of

certain apportionment payments, and payments of secured property taxes collected by the County, which collectively are the largest sources of District revenues. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Deferred Revenues" and "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA." As a result, the District's projected general fund cash balance is negative during parts of the fiscal year. The Notes are intended to finance such cash deficits and are an alternative to the District borrowing from the County Treasury.

### **General Provisions**

The Notes will be dated the date of their delivery and will mature on \_\_\_\_\_, 2012\* (the "Maturity Date"). The Notes will be registered in the name of Cede & Co. ("Cede & Co."), as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof. Purchasers of interests in the Notes (the "Beneficial Owners") will not receive certificates representing their interests in the Notes.

Interest on the Notes will be computed on the basis of a 360-day year of twelve, 30-day months. Payments of the principal and interest on the Notes will be made by the U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Notes. Principal and interest due with respect to the Notes shall be payable at maturity upon presentation at the principal office of the Paying Agent.

### **Redemption**

The Notes are not subject to redemption prior to the Maturity Date.

### **Authorized Investments**

Pursuant to the Resolutions, the District is authorized to invest Note proceeds, and Unrestricted Revenues deposited for the payment of the Notes, in the County of Riverside Investment Pool (the "County Pool") pursuant to Government Code Section 53601(1), the Local Agency Investment Fund of the California State Treasurer, or 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 Service, a Standard & Poor's Financial Services LLC business ("S&P") and Moody's Investors Service, Inc ("Moody's). The District expects to invest the Note proceeds and repayment funds in the pooled investment fund of the County. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND."

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES**

### **Security for the Notes**

Pursuant to Section 53856 of the Act and the District Resolution, the District has pledged the following to the repayment of the Notes (and collectively referred to herein as the "Pledged Revenues"): (i) the first Unrestricted Revenues received by the District in the month ending July 31, 2012, in an amount equal to 50% of the principal of and interest due on the Notes at maturity, and (ii) the first

---

\* Preliminary, subject to change.

Unrestricted Revenues received by the District in the month ending August 31, 2012, in an amount equal to 50% of the principal of and interest due on the Notes at maturity and any deficiency in amounts previously required to be deposited (each such month, a "Pledge Month"). Pursuant to Section 53584 of the Act and the District Resolution, the District has determined that such Pledged Revenues shall be received in or accrued to fiscal year 2011-12 and are available to pay the Notes. See "- Deferred Revenues" below. The principal of and interest on due the Notes will constitute a first lien and charge against the Pledged Revenues.

The Pledged Revenues shall be deposited by the District no later than the last day of each Pledge Month specified above into the Repayment Fund (defined herein). In the event that there are insufficient Pledged Revenues received by the District in each Pledge Month to permit the deposits into the Repayment Fund of the full amounts constituting the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES - Available Sources of Payment."

All Pledged Revenues will be deposited into a special fund held by the Treasurer designated as the "Moreno Valley Unified School District, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in authorized investments which mature not later than the Maturity Date of the Notes. See "THE NOTES - Authorized Investments." After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are 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 request of the District.

**Available Sources of Payment**

The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Pledged Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. The District may, under the Act, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated uncollected taxes, income, revenue, cash receipts, and other moneys of the District available for the payment of the Notes and the interest thereon. With an interest rate of \_\_\_\_\_%, the amount needed to repay the Notes and the interest thereon is \$ \_\_\_\_\_. The District estimates that funds available from its general fund for payment of the Notes will be approximately \$ \_\_\_\_\_, as indicated in the following table:

**ESTIMATED AVAILABLE REVENUE  
Fiscal Year 2011-12  
Moreno Valley Unified School District**

| <u>Sources</u>                                     | <u>Amount</u> |
|--|---------------|
| Principal State Apportionment <sup>(1)</sup> ..... |               |
| County/District Taxes.....                         |               |
| Federal.....                                       |               |
| Other State.....                                   |               |
| Other Local.....                                   |               |
| Interfund Transfers In.....                        |               |
| Proceeds of the Notes .....                        | *             |
| <b>Total</b>                                       |               |

<sup>(1)</sup> Includes Deferred Revenues (defined herein).  
Source: The District.

\* Preliminary, subject to change.

In addition to the District's obligation to repay the Notes, the District has other contractual commitments that must be paid from general fund revenues. For information regarding the levels of the District's expenditure commitments for fiscal year 2011-12, see "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Projected and Actual Cash Flows."

**Deferred Revenues**

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are currently on-going. The District projects that Unrestricted Revenues available to it during each Pledge Month will consist primarily of State apportionments due to the District during fiscal year 2011-12, the payment of which has been deferred by the State to July and August of 2012 (collectively, the "Deferred Revenues"). The following table shows the cross-year apportionment deferrals projected to affect the District's 2011-12 fiscal year.

**PROJECTED TOTAL STATE DEFERRALS**  
**Fiscal Year 2011-12**  
**Moreno Valley Unified School District**

| State<br>Apportionments<br>Deferred From | State Apportionments<br>Deferred To | Amount |
|--|-------------------------------------|--------|
| February 2012                            | July 2012                           |        |
| March 2012                               | August 2012                         |        |
| April 2012                               | July 2012                           |        |
| April 2012                               | August 2012                         |        |
| May 2012                                 | July 2012                           |        |
| May 2012                                 | August 2012                         |        |
| June 2012                                | July 2012                           |        |

*Source: The District.*

Although the State may treat the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year, and the District has in fact elected to treat the Deferred Revenues as receivables accrued to fiscal year 2011-12 for such purposes. Pursuant to Section 53584 of the Act and the District Resolution, the District has determined that the Deferred Revenues are Unrestricted Revenues thereof accrued to fiscal year 2011-12 and available to pay the Notes.

**Delay in the Receipt of Deferred Revenues**

The Notes are expected to be paid entirely from Deferred Revenues, and to the extent not paid therefrom, shall be paid from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. While the District expects to receive its Deferred Revenues in such a time and manner as will permit the payment of such principal and interest of the Notes, such expectation is based on facts and circumstances now known to the District, and factors beyond the control of the District may affect the timely receipt of Deferred Revenues. Decreases in State revenues may affect appropriations made by the State legislature to the District, including the Deferred Revenues, and such apportionments may continue to be affected by ongoing national and State economic concerns and other factors over which the District will have no control. If the receipt of the Deferred Revenues is delayed,

the District, at the time the Notes mature, would not be permitted to pay any portion of the Notes from subsequent fiscal years' revenues.

### **Limitations on Noteholder Remedies; Bankruptcy**

The rights of the owners of the Notes are subject to the limitations on legal remedies against public agencies in the State. Additionally, 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 creditor's 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 of the Notes 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.

### **Prohibition on County Borrowing**

Pursuant to the District Resolution, the District has covenanted that while the Notes are outstanding, the District will not request the Treasurer to make temporary transfers of funds in the custody thereof to meet any obligations of the District during fiscal year 2011-12 pursuant to Article XVI, Section 6 of the Constitution of the State of California.

### **Projected and Actual Cash Flows**

The District has prepared the accompanying monthly general fund cash flow statements covering fiscal years 2011-12 and 2012-13. The general fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. For fiscal year 2011-12, the District has projected a maximum cumulative cash flow deficit to occur within six months of the issuance of the Notes, and prior to the receipt of the Pledged Revenues. The anticipated deficit occurs due to the daily timing of expenditures occurring prior to the receipt of revenues for the month.

The estimates and timing of receipts and disbursements presented herein are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimates of the District based on information available to it as of the date of the projections, including the most recent revisions to the State's funding of school districts. However, due to the uncertainties inherent in the State budgeting process, these projections are subject to change and may vary considerably from actual cash flows experienced by the District.

In addition, it should not be construed from the inclusion of the 2012-13 cash flow projections that the Notes are payable from any revenues attributable thereto. The Notes are payable only from Unrestricted Revenues received in or accrued to fiscal year 2011-12.

**2011-12 ACTUAL AND PROJECTED CASH FLOW**  
**Moreno Valley Unified School District**

|                                | Jul 2011 | Aug 2011 | Sep 2011 | Oct 2011 | Nov 2011 | Dec 2011 | Jan 2012  | Feb 2012  | Mar 2012  | Apr 2012  | May 2012  | Jun 2012  |
|--------------------------------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                | Actual   | Actual   | Actual   | Actual   | Actual   | Actual   | Projected | Projected | Projected | Projected | Projected | Projected |
| <b>Actual / Estimated</b>      |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Beginning Cash</b>          |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Receipts</b>                |          |          |          |          |          |          |           |           |           |           |           |           |
| Revenue Limit                  |          |          |          |          |          |          |           |           |           |           |           |           |
| Property Taxes                 |          |          |          |          |          |          |           |           |           |           |           |           |
| State Aid                      |          |          |          |          |          |          |           |           |           |           |           |           |
| Other                          |          |          |          |          |          |          |           |           |           |           |           |           |
| Federal Revenues               |          |          |          |          |          |          |           |           |           |           |           |           |
| Other State Revenues           |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Local Revenues           |          |          |          |          |          |          |           |           |           |           |           |           |
| Interfund Transfers In         |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Financing Sources        |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Receipts/Non-Rev.        |          |          |          |          |          |          |           |           |           |           |           |           |
| TRAN                           |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Total Receipts</b>          |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Disbursements</b>           |          |          |          |          |          |          |           |           |           |           |           |           |
| Certificated Salaries          |          |          |          |          |          |          |           |           |           |           |           |           |
| Classified Salaries            |          |          |          |          |          |          |           |           |           |           |           |           |
| Employee Benefits              |          |          |          |          |          |          |           |           |           |           |           |           |
| Supplies and Services          |          |          |          |          |          |          |           |           |           |           |           |           |
| Capital Outlays                |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Outgo                    |          |          |          |          |          |          |           |           |           |           |           |           |
| Interfund Transfers Out        |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Financing Uses           |          |          |          |          |          |          |           |           |           |           |           |           |
| Other Disb/Non Exp.            |          |          |          |          |          |          |           |           |           |           |           |           |
| TRAN                           |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Total Disbursements</b>     |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Prior Year Transactions</b> |          |          |          |          |          |          |           |           |           |           |           |           |
| Deferred State Aid             |          |          |          |          |          |          |           |           |           |           |           |           |
| Accounts Receivable            |          |          |          |          |          |          |           |           |           |           |           |           |
| Accounts Payable               |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Total PY Transactions</b>   |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Net Increase/Decrease</b>   |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Ending Cash Including</b>   |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>TRAN Proceeds</b>           |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>TRAN Balance</b>            |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>Ending Cash Excluding</b>   |          |          |          |          |          |          |           |           |           |           |           |           |
| <b>TRAN Proceeds</b>           |          |          |          |          |          |          |           |           |           |           |           |           |

Source: The District.

**2012-13 ACTUAL AND PROJECTED CASH FLOW**  
**Moreno Valley Unified School District**

| Actual / Estimated<br>Beginning Cash<br>Receipts | Jul 2012  | Aug 2012  | Sep 2012  | Oct 2012  | Nov 2012  | Dec 2012  | Jan 2013  | Feb 2013  | Mar 2013  | Apr 2013  | May 2013  | Jun 2013  |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected |
| Revenue Limit                                    |           |           |           |           |           |           |           |           |           |           |           |           |
| Property Taxes                                   |           |           |           |           |           |           |           |           |           |           |           |           |
| State Aid  |           |           |           |           |           |           |           |           |           |           |           |           |
| Other  |           |           |           |           |           |           |           |           |           |           |           |           |
| Federal Revenues                                 |           |           |           |           |           |           |           |           |           |           |           |           |
| Other State Revenues                             |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Local Revenues                             |           |           |           |           |           |           |           |           |           |           |           |           |
| Interfund Transfers In                           |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Financing Sources                          |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Receipts/Non-Rev.<br>TRAN                  |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Total Receipts</b>                            |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Disbursements</b>                             |           |           |           |           |           |           |           |           |           |           |           |           |
| Certificated Salaries                            |           |           |           |           |           |           |           |           |           |           |           |           |
| Classified Salaries                              |           |           |           |           |           |           |           |           |           |           |           |           |
| Employee Benefits                                |           |           |           |           |           |           |           |           |           |           |           |           |
| Supplies and Services                            |           |           |           |           |           |           |           |           |           |           |           |           |
| Capital Outlays                                  |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Outgo                                      |           |           |           |           |           |           |           |           |           |           |           |           |
| Interfund Transfers Out                          |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Financing Uses                             |           |           |           |           |           |           |           |           |           |           |           |           |
| Other Disb/Non Exp.<br>TRAN                      |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Total Disbursements</b>                       |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Prior Year Transactions</b>                   |           |           |           |           |           |           |           |           |           |           |           |           |
| Deferred State Aid                               |           |           |           |           |           |           |           |           |           |           |           |           |
| Accounts Receivable                              |           |           |           |           |           |           |           |           |           |           |           |           |
| Accounts Payable                                 |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Total PY Transactions</b>                     |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Net Increase/Decrease</b>                     |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Ending Cash Including</b>                     |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>TRAN Proceeds</b>                             |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>TRAN Balance</b>                              |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>Ending Cash Excluding</b>                     |           |           |           |           |           |           |           |           |           |           |           |           |
| <b>TRAN Proceeds</b>                             |           |           |           |           |           |           |           |           |           |           |           |           |

Source: The District.

**Alternative Cash Flow Resources**

The following table shows audited and projected cash balances from certain other funds of the District outside the general fund. The District may borrow from these funds to supplement general fund cash flows.

**ALTERNATE CASH RESOURCES  
Fiscal Years 2009-10 through 2011-12  
Moreno Valley Unified School District**

| <u>Fund</u>                 | <u>Audited<br/>Cash Balance<br/>As of 6/30/2010</u> | <u>Audited<br/>Cash Balance<br/>As of 6/30/2011</u> | <u>Projected<br/>Cash Balance<br/>As of 6/30/2012</u> | <u>Projected<br/>Cash Balance<br/>As of 9/28/2012</u> |
|-----------------------------|---|---|---|---|
| 1 [Cafeteria Fund]          |   |   |   |   |
| 2 [Capital Facilities Fund] |   |   |   |   |
|                             | Total   |   |   |   |

*Source: The District.*

**FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA**

**State Funding of Education**

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues significantly affect appropriations made by the Legislature to school districts.

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance ("A.D.A."). Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is counted in the calculation of A.D.A.

This change is essentially fiscally neutral for school districts that maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. School districts that improve their actual attendance rate will receive additional funding.



District average daily attendance ("A.D.A.") and revenue limit per A.D.A. for the past seven fiscal years and a projection for fiscal year 2011-12 are shown in the following table.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**  
**Fiscal Years 2004-05 through 2011-12**  
**Moreno Valley Unified School District**

| Fiscal Year            | Average Daily Attendance <sup>(1)</sup> | Revenue Limit per A.D.A. <sup>(2)</sup> |
|------------------------|---|---|
| 2004-05                | 34,131                                  |   |
| 2005-06                | 34,385                                  |   |
| 2006-07                | 34,755                                  |   |
| 2007-08                | 34,562                                  |   |
| 2008-09                | 33,899                                  |   |
| 2009-10                | 34,157                                  |   |
| 2010-11                | 33,050                                  |   |
| 2011-12 <sup>(3)</sup> | 33,039                                  |   |

<sup>(1)</sup> Excludes Charter School A.D.A.

<sup>(2)</sup> The projected Revenue Limit for 2001-02 and thereafter has been adjusted for the elimination of excused absences in calculating A.D.A.

<sup>(3)</sup> Projected.

Source: The District.

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

**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 the A.D.A. for such district by a base revenue limit per unit of 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 local property taxes and 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. Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

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 constituted approximately 64.9% of general fund revenues in fiscal year 2009-10, 65.3% of such revenues in fiscal year 2010-11, and are projected to be 67.0% of such revenues in fiscal year 2011-12.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs and specialized programs such as the No Child Left Behind Act. The federal revenues, most of which are restricted, constituted approximately 11.2% of general fund revenues in fiscal year 2009-10, 12.2% of such revenues in fiscal year 2010-11, and are projected to be 8.9% of such revenues in fiscal year 2011-12.

**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 Class Size Reduction Program, Economic Impact Aid and home-to-school transportation, among others. Other State revenues constituted approximately 22.5% of general fund revenues in fiscal year 2009-10, 21.4% of such revenues in fiscal year 2010-11, and are projected to be 21.4% of such revenues in fiscal year 2011-12.

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted approximately 1.4% of general fund revenues in fiscal year 2009-10, 1.1% of such revenues in fiscal year 2010-11, and are projected to be 2.7% of such revenues in fiscal year 2011-12.

**[Redevelopment Revenue.** The District has agreements with a number of redevelopment agencies, pursuant to which the District has, in the past, received pass-through tax increment revenues received by such agencies. The following table summarizes the revenues received by the District from such redevelopment agencies over the last five fiscal years, and an estimate for fiscal year 2011-12.

| <u>Fiscal Year</u>     | <u>Total Redevelopment<br/>Revenues Received</u> |
|------------------------|--|
| 2006-07                |  |
| 2007-08                |  |
| 2008-09                |  |
| 2009-10                |  |
| 2010-11                |  |
| 2011-12 <sup>(1)</sup> |  |

<sup>(1)</sup> Projected.

Source: The District.

The District, however, can make no representations that such tax increment revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See

“CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22.”]

**Developer Fees.** The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. [Residential development is assessed a fee of \$\_\_\_\_\_ per square foot, while commercial development is assessed a fee of \$\_\_\_\_\_ per square foot. The following table summarizes the revenues received by the District from developer fees over the last nine years and a projected amount for 2011-12.

| <u>Fiscal Year</u>     | <u>Developer Fees Collected</u> |
|------------------------|---------------------------------|
| 2002-03                |                                 |
| 2003-04                |                                 |
| 2004-05                |                                 |
| 2005-06                |                                 |
| 2006-07                |                                 |
| 2007-08                |                                 |
| 2008-09                |                                 |
| 2009-10                |                                 |
| 2010-11                |                                 |
| 2011-12 <sup>(1)</sup> |                                 |

<sup>(1)</sup>Projected.

Source: The District.

### State Budget Measures

*The following information concerning the State’s budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.*

**Senate Bill 70.** On March 24, 2011, the Governor signed into law Senate Bill 70 (“SB 70”), which implements several provisions included in the Governor’s proposed budget for fiscal year 2011-12 (the “2011-12 Proposed Budget”). Significant features of SB 70 relating to the funding of school districts include the following:

- For fiscal year 2011-12, SB 70 increases the revenue limit deficit factor for county offices of education and school districts to 19.892% and 19.608 %, respectively.
- SB 70 extends, for an additional two fiscal years, existing flexibility options available to school districts relating to deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials.
- SB 70 establishes a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12.
- SB 70 authorizes three new cross-fiscal year deferrals of State apportionments, as follows: (1) \$1.3 billion from March to August, (2) \$763,794,000 from April to August, and (3) \$500 million from June to July. SB 70 also extends the existing April-to-July

deferral to September and the existing May-to-July deferral to September. These deferrals are in addition to existing inter-fiscal year deferrals applicable to fiscal year 2011-12. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – State Cash Management Legislation."

- SB 70 extends eligibility for supplemental categorical block grants to charter schools that begin operations in fiscal year 2011-12. SB 70 also appropriates \$5 million from the State general fund to the Charter School Revolving Loan Fund.
- SB 70 authorizes the State Director of Finance to adjust the State's Proposition 98 calculation to ensure that any shift in property taxes previously received by redevelopment agencies does not affect the State's minimum funding obligations under Proposition 98.
- SB 70 implements a reduction to categorical funding for basic aid school districts in proportion to the revenue limit funding reductions experienced by non-basic aid school districts in fiscal years 2008-09 and 2009-10. SB 70 declares the State legislature's intent to restore this categorical funding at the same time as such revenue limit funding reductions are restored.

The full text of SB 70 is available at <http://www.leginfo.ca.gov/bilinfo>. However, such information is not incorporated herein by any reference.

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

The 2011-12 Budget seeks to close the \$26.6 billion deficit identified in the Governor's May Revision to the 2011-12 Proposed Budget (the "May Revision") through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling \$8.3 billion.

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

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

The 2011-12 Budget also includes a series of "trigger" reductions that are authorized to be implemented in the event the State's revenues are less than forecasted. The first series of reductions, totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If by January of 2012 revenues are projected to fall short by

more than \$2 billion, a second series of reductions totaling approximately \$1.9 billion would be implemented, of which \$1.8 billion relates to K-12 revenue limit funding and home-to-school transportation.

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

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

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee was also rebenched to account for a \$1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorized redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals \$1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. Following litigation challenging the constitutionality of both ABx1 26 and ABx1 27, the Supreme Court of California invalidated the provisions of ABx1 27. See CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22.”

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

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

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

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

Additional information regarding the 2011-12 Budget is available from the Department of Finance’s website: [www.dof.ca.gov](http://www.dof.ca.gov). However, such information is not incorporated herein by any reference.

***Recent Litigation Regarding State Budgetary Provisions.*** On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the “CSBA Petition”). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. See “STATE BUDGET MEASURES – State Budget Measures – 2011-12 Budget.” The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District makes no representations regarding the viability of the claims in the CSBA Petition, nor can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decision by the Superior Court would affect the State’s ability to fund education in fiscal year 2011-12, or in future fiscal years.

***Fiscal Outlook Report.*** On November 16, 2011, the LAO released a report entitled “The 2012-13 Budget: California’s Fiscal Outlook” (the “Fiscal Outlook Report”), which includes updated expenditure and revenue projections for fiscal year 2011-12. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2011-12 through 2016-17 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The LAO currently forecasts total State revenues of \$84.8 billion, approximately \$3.7 billion less than the \$88.5 billion figure included in the 2011-12 Budget. The LAO also forecasts total expenditures of \$85.3 billion, slightly below the \$85.9 billion included in the 2011-12 Budget. Absent corrective action, the LAO estimates that the State will face a projected year-end deficit of approximately \$3 billion, as compared to the \$543 million year-end surplus assumed by the 2011-12 Budget.

The LAO's estimates with respect to fiscal year 2011-12 are informed in part by the following:

- As a result of the revised revenue forecast, the LAO assumes the implementation of \$2 billion in midyear "trigger" reductions, as required by the 2011-12 Budget. This includes the implementation of all first tier trigger reductions, totaling \$600 million. The LAO also assumes the implementation of approximately \$1.4 billion of second tier trigger reductions, including a \$248 million reduction in home-to-school transportation funding, a \$72 million reduction to community college apportionments, and a \$1.1 billion reduction to K-12 revenue limit funding. The reduction to revenue limit funding reflects a pro-rated implementation of the second tier trigger reductions, based on the LAO's revenue forecast. The final extent of the reductions are determined upon the release of the State Department of Finance, once it releases its December 2011 revenue forecast. See "-- Department of Finance Revenue Forecast" herein.
- The LAO's forecast generally assumes that the State will prevail in current, on-going litigation regarding certain provisions of the 2011-12 Budget. See "-- Recent Litigation Regarding State Budgetary Provisions" above. However, the LAO assumes that the State will only realize \$1.4 billion of additional general fund revenues from the elimination of redevelopment agencies, rather than the \$1.7 billion figure included in the 2011-12 Budget.
- The Fiscal Outlook Report does not assume the passage of the Governor's proposed tax extensions at the November 2012 election. The LAO notes that, under the provisions of the 2011-12 Budget, if no such ballot measure is passed, the State would be required to provide an additional \$2 billion of settle-up payments to K-12 education, reflecting a like increase to the Proposition 98 minimum funding guarantee for fiscal year 2011-12.
- The LAO also assumes (i) higher Medi-Cal costs of approximately \$400 million, and (ii) that the State will be unable to reduce departmental costs by \$250 million, as projected by the 2011-12 Budget.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at [www.lao.ca.gov](http://www.lao.ca.gov). However, such information is not incorporated herein by any reference.

***Department of Finance Revenue Forecast.*** On December 13, 2011, the Department of Finance released its revised revenue forecast for fiscal year 2011-12. The Department of Finance currently estimates total State revenues of \$86.2 billion, or approximately \$2.2 billion lower than the total revenues projected by the 2011-12 Budget. As such, the State Director of Finance implemented most of the first tier trigger reductions, totaling \$581 million, including reductions to community college apportionments

(\$30 million) and Proposition 98 funding for child care (\$5.9 million). The Director of Finance also implemented the second tier trigger reductions to community college apportionments (\$72 million), and home-to-school transportation funding (\$248 million). Significantly, the Director of Finance elected not to implement the bulk of the \$1.5 billion second tier reduction to school district revenue limit funding, limiting it to \$79.6 million.

Additional information regarding the Department of Finance's revenue forecast may be obtained at [www.dof.ca.gov](http://www.dof.ca.gov). However, such information is not incorporated herein by any reference.

**Proposed 2012-13 Budget.** On January 5, 2012, the Governor released his proposed State budget for fiscal year 2012-13 (the "Proposed Budget"). On January 11, 2012, the LAO released its summary of the Proposed Budget. The following information is drawn from the LAO's summary.

The Proposed Budget estimates that, absent corrective action, the State will end 2011-12 with a total deficit of \$4.1 billion. For fiscal year 2012-13, the Proposed Budget projects that State expenditures will exceed baseline revenues by approximately \$5.1 billion, bringing the total deficit to \$9.2 billion.

To bridge the gap, the Proposed Budget includes \$10 billion of proposed measures affecting both fiscal years 2011-12 and 2012-13. These measures include \$4 billion of expenditure reductions, \$4.6 billion of revenue increases, and \$1.4 billion of other solutions. With the implementation of all measures, the Proposed Budget assumes, for fiscal year 2011-12, year-end revenues of \$85.5 billion and expenditures of \$86.5 billion. The State is also projected to end fiscal year 2011-12 with a budget deficit of \$1.7 billion. For fiscal year 2012-13, the Proposed Budget projects total available revenues of \$94.4 billion and would authorize total expenditures of \$92.6 billion. The State is also projected to end the year with a \$1.1 billion reserve. As with the 2011-12 Budget, the Proposed Budget assumes an accelerated approval process with a target date of March 1 for the Legislature to approve some or all of the Governor's proposals.

The LAO notes that the cornerstone of the Proposed Budget is voter approval of temporary tax increases at the November 2012 election. The Governor proposes to increase personal income tax ("PIT") rates on the State's wealthiest taxpayers by 1%, 1.5% or 2%, depending on filing status and total income, as well as temporary increase of the State sales and use tax by 0.5%. These tax increases are projected to generate an additional \$2.2 billion in fiscal year 2011-12 and \$4.7 billion in fiscal year 2012-13.

The Proposed Budget would also authorize \$5.4 billion in trigger cuts, to be implemented if these proposed tax increases are rejected by the voters. The trigger cuts include (i) a total reduction to the Proposition 98 minimum funding guarantee of \$4.8 billion (including \$2.4 billion in programmatic funding), (ii) a \$200 million reduction to each of the University of California and California State University systems, (iii) a \$125 million reduction to State courts, (iv) a \$15 million reduction to the Department of Forestry and Fire Protection, (v) a \$7 million reduction to Department of Water Resources flood control programs, (vi) a \$1 million reduction to Department of Justice law enforcement programs, and (vii) unallocated reductions to the Department of Fish and Game (\$4 million) and Department of Parks and Recreation (\$2 million). If implemented, these cuts would become effective as of January 1, 2013.

Assuming the passage of the Governor's tax proposals, the Proposition 98 minimum funding guarantee for fiscal year 2011-12 would be set at \$47.6 billion, including \$32.6 billion from the State general fund. For fiscal year 2012-13, the Proposed Budget would set total Proposition 98 funding at \$52.5 billion, including \$37.5 billion from the State general fund. This would represent a net increase of \$4.9 billion (or 10%) from the prior year.



To arrive at these funding levels, the Proposed Budget makes a permanent adjustment, or “rebenching,” to the Proposition 98 minimum funding guarantee to reflect a \$1 billion increase in local property taxes resulting from the elimination of redevelopment agencies pursuant to ABx1 26. These increased property taxes would offset State general fund expenditures on K-14 education. The minimum funding guarantee would also be decreased by \$544 million, primarily by reversing the existing policy that holds the minimum funding guarantee harmless from the elimination of the sales tax on gasoline.

Significant features of the Proposed Budget as it relates to the funding of education include the following:

- *Cost-of-Living Adjustment.* The Proposed Budget would not provide a cost-of-living adjustment for any K-14 program during fiscal year 2012-13.
- *Apportionment Deferral Reduction.* Proposition 98 funding would be increased by \$2.2 billion during fiscal year 2012-13 to restore K-12 State apportionments that are currently subject to a deferral. The Proposed Budget indicates this funding is contingent on the passage of the Governor’s proposed tax increases.
- *Categorical Program Flexibility; Weighted Per-Pupil Funding.* To assist with local budget constraints, the Proposed Budget would suspend educational requirements for almost all categorical programs, essentially phasing out most existing categorical programs beginning in 2012-13 (except for certain federally required programs such as special education and child nutrition). The Proposed Budget would also replace the existing revenue limit and categorical program funding models with a single, weighted pupil funding formula, to be phased in over the next five fiscal years. Under this new funding model, school districts would receive an equal base per-pupil amount, plus additional general purpose funding intended to serve disadvantaged students. Schools districts and charter schools with larger disadvantaged student populations would receive supplemental funding. A performance component would also be added, to provide fiscal incentives for school districts to improve or sustain academic performance. School districts would have local discretion in deciding how to spend weighted per-pupil funding.
- *Child Care.* The Proposed Budget would reduce funding for subsidized child care programs by approximately \$450 million, representing a reduction of approximately 30%. The bulk of this reduction (approximately \$300 million), would be implemented by reducing eligibility to families that meet certain work participation requirements. Reductions to child care funding are part of the Proposed Budget’s overall plan to restructure the CalWORKs program and reduce State general fund support for this program by approximately \$1.4 billion.
- *K-14 Mandates.* The Proposed Budget also includes a proposal to eliminate 31 of 57 existing K-14 educational mandates. The remaining 26 educational mandates would be suspended, though school districts and community college districts could undertake the activities required by these remaining mandates in exchange for additional funding. Such additional funding would be provided through a new \$200 million block grant, composed of \$178 million in funding for school districts and \$22 million for community college districts. Districts that choose to receive this funding would receive a per-student allocation. The Proposed Budget indicates that an auditing and compliance process will be established to ensure grant recipients undertake the required activities.

- *Non-implementation of Transition Kindergarten Program.* The Proposed Budget would eliminate the requirement that school districts provide an additional year of education to children that miss the new, September 1 cutoff for enrollment in kindergarten. As a result, the Proposed Budget assumes a savings of \$224 million in fiscal year 2012-13, growing to approximately \$675 million by 2014-15.

The LAO indicates that several of the Governor's proposals have merit, particularly the increased categorical program flexibility, weighted per-pupil funding, and the non-implementation of the transitional kindergarten program. However, the LAO expresses concern regarding several features of the Proposed Budget. The LAO notes that the Proposed Budget's baseline revenue projections are higher than those calculated by the LAO as part of its November 2011 revenue forecast. See "-- Fiscal Outlook Report" above. Specifically, the Proposed Budget projects \$1.5 billion more of such revenues in 2011-12, and \$3.2 billion more in 2012-13. The LAO indicates that this variance is due largely to differences in how the LAO and the Department of Finance project PIT collections from high-income taxpayers. Accordingly, the LAO indicates that the Proposed Budget may overstate growth in State revenues in future years, including the projected revenue growth that would result from the Governor's proposed tax increases. With respect to fiscal year 2012-13, the LAO projects that these proposed tax increases would generate \$2.1 billion less than what is assumed by the Proposed Budget.

The LAO also expresses concerns regarding the uncertainty generated by the proposed trigger cuts to education funding. The LAO notes that school districts and community college districts have limited ability to downsize operations midyear, and as such would likely be unable to bear the brunt of the proposed trigger reductions. Districts will therefore be compelled to adopt budgets that assume the trigger reductions are implemented, resulting in the overall programmatic reductions the Proposed Budget seeks to avoid.

Additional information regarding the Proposed Budget is available from the LAO's website: [www.lao.ca.gov](http://www.lao.ca.gov). However, such information is not incorporated herein by any reference.

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

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES**

### **Article XIII A of the California Constitution**

Article XIII A ("Article XIII A") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to

reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, 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 votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

#### **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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now 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.

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

### **Article XIII B of the California Constitution**

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

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

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D, 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 XIIC 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 community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article 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.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one 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 26**

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

## Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-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 State general fund revenues as the percentage appropriated to such districts in 1986-87, and (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.

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article 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 are to be transferred to K-14 school districts with the balance returned

to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of 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 districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article 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) 40.9% 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 39**

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

only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See “– Article XIII A of the California Constitution” above.

### **Proposition 1A and Proposition 22**

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State’s general fund and transportation funds, the State’s main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst’s Office (the “LAO”) on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence



of the passage of Proposition 22 was projected at approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California will be dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. The District makes no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

### **State Cash Management Legislation**

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) \$700 million from July 2011 to September 2011, (ii) \$700 million from July 2011 to January 2012, (iii) \$1.4 billion from August 2011 to January 2012, (iv) \$2.4 billion from October 2011 to January 2012, and (v) \$1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "Cash Management Deferrals." SB 82 required the State Department of Education to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected scheduled of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. [The District, however, did not apply for or receive exemption from any of the 2010-11 Cash Management Deferrals.]

In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Director of Finance review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting

District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## THE DISTRICT

### General Information

The District was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in the County. The District operates twenty-three elementary schools, six middle schools, five high schools, one charter school, and three other alternative schools. Total enrollment for the District is projected to be 35,896 in Fiscal Year 2011-12. The District has a 2011-12 total assessed valuation of \$ \_\_\_\_\_.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Moreno Valley Unified School District, 2564 Alessandro Boulevard, Moreno Valley, California 92553, telephone (951) 571-7500, Attention: Chief Business Official.

### Administration

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

| <u>Name</u>       | <u>Office</u>  | <u>Current Term Expires</u> |
|-------------------|----------------|-----------------------------|
| Tracey B. Vackar  | President      | December, 2012              |
| Cleveland Johnson | Vice President | December, 2014              |
| Jesus M. Holguin  | Clerk          | December, 2014              |
| Mike Rios         | Member         | December, 2014              |
| Rick Sayre        | Member         | December, 2012              |

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and Chief Business Official follow:

**Judy D. White, Ed.D., Superintendent.** Dr. Judy D. White began her tenure as the Superintendent of Moreno Valley Unified School District on February 14, 2011. She has over 33 years of experience in education, most recently as the Deputy Superintendent of the San Bernardino City Unified School District. Dr. White earned a B.A. in Sociology from Occidental College, an M.A. in Education from California State University San Bernardino and an Ed.D. in Educational Leadership from Azusa-Pacific University.

**Mays Kakish, Chief Business Official.** Mays Kakish was appointed Chief Business Official of the District effective April 4, 2011. Ms. Kakish previously served as the Assistant Superintendent, Business Services of the Beaumont Unified School District for five years. She has over 11 years experience in public education. Ms. Kakish holds a B.S. from California State University San Bernardino, San Bernardino, California.

**Average Daily Attendance**

The following table shows the average daily attendance (“A.D.A.”) for the District over the last seven fiscal years and projected A.D.A. for the current and following fiscal year.

**AVERAGE DAILY ATTENDANCE  
Fiscal Years 2004-05 Through 2012-13  
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                | 34,157                          |
| 2010-11                | 33,050                          |
| 2011-12 <sup>(1)</sup> | 33,039                          |
| 2012-13 <sup>(1)</sup> |                                 |

<sup>(1)</sup> Projected.  
Source: The District.

**Labor Relations**

The District currently employs \_\_\_ certificated employees and \_\_\_ classified employees. Current employees are represented by the bargaining units noted below:

**BARGAINING UNITS  
Moreno Valley Unified School District**

| <u>Name of Bargaining Unit</u>            | <u>Number of Employees Represented</u> | <u>Current Contract Expiration Date</u> |
|---|--|---|
| Moreno Valley Educators Association       | _____                                  | June 30, 20__                           |
| California Schools Employees’ Association | _____                                  | June 30, 20__                           |

Source: The District.

**District Retirement Systems**

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

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their

respective salaries. The State also contributes to STRS, currently in an amount equal to 2.541% of teacher payroll.

The District's contribution to STRS was \$12,192,735 in fiscal year 2008-09, \$11,370,523 in fiscal year 2009-10, \$11,095,714 in fiscal year 2010-11 and is projected to be \$10,664,778 in fiscal year 2011-12.

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 10.923% of eligible salary expenditures for fiscal year 2011-12, while participants contribute 7% of their respective salaries.

The District's contribution to PERS is capped at 13.02% of gross expenditures for any given fiscal year. To the extent the District's contribution rate to PERS is less than 13.02%, the State will reduce the District's revenue limit for that year by the difference between the maximum contribution rate and the District's actual contribution rate. Alternatively, if the District's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to the District to make up the difference.

The District's contribution to PERS was \$7,148,162 in fiscal year 2008-09, \$7,044,723 in fiscal year 2009-10, \$7,776,601 in fiscal year 2010-11 and is projected to be \$6,381,283 in fiscal year 2011-12.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS**  
**As of a June 30, 2010 Valuation Date**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**

| <u>Plan</u>  | <u>Accrued Liability</u> | <u>Value of Trust Assets</u> | <u>Unfunded Liability</u> |
|--|--------------------------|------------------------------|---------------------------|
| Public Employees Retirement Fund (PERS)                        | \$55,307                 | \$38,435 <sup>(2)</sup>      | \$(16,872)                |
| State Teachers' Retirement Fund Defined Benefit Program (STRS) | 196,315                  | 140,291 <sup>(3)</sup>       | (56,024)                  |

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> Reflects market value of assets as of June 30, 2010.

<sup>(3)</sup> Reflects actuarial value of assets as of June 30, 2010.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

### **Other Postemployment Benefits**

The District provides postemployment health care benefits, in accordance with District employment contracts, to eligible employees who retire from the District on or after attaining age 55 (to age 65) with at least 10 years of service to the District. The District currently finances such benefits on a pay-as-you-go basis. In addition, in fiscal year 2008-09 the District committed \$1,500,000 to an irrevocable trust for the sole purpose of paying such benefits. The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (the "ARC"), an amount actuarially determined in accordance with the requirements 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 (or funding excess over a period not to exceed thirty years). The District's ARC for the year ended June 30, 2011, was \$2,145,218.

As of June 30, 2011, the District had a net asset in respect of such postemployment benefits of \$1,147,911. See Note O to the fiscal year 2010-11 audited financial statements of the District included as Appendix D hereto.

### **Insurance**

The District's basic property, crime, general liability and automobile insurance is administered by the Alliance of Schools for Cooperative Insurance Programs ("ASCIP"), a joint powers public agency. The District pays a premium to ASCIP which in turn self-funds basic coverage levels and purchases excess liability coverage for property and crime coverage from commercial carriers. Excess liability and workers' compensation coverage is purchased through the Schools Excess Liability Fund ("SELF"), a public entity risk pool joint powers authority. Excess property and crime coverage is purchased by ASCIP for all pool members. District coverage is subject to varying deductible levels.

The relationships between the District and SELF and ASCIP are such that neither SELF nor ASCIP is a component unit of the District for financial reporting purposes.

[The District believes its coverages are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.]

### **Ad Valorem Property Taxation**

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities

property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. 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 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 as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority 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 Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

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

### Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2011-12 of \$ \_\_\_\_\_. The following represents the five-year history of assessed valuations in the District.

**ASSESSED VALUATION**  
**Fiscal Years 2007-08 to 2011-12**  
**Moreno Valley Unified School District**

|         | <u>Local Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u> |
|---------|----------------------|----------------|------------------|--------------|
| 2007-08 |                      |                |                  |              |
| 2008-09 |                      |                |                  |              |
| 2009-10 |                      |                |                  |              |
| 2010-11 |                      |                |                  |              |
| 2011-12 |                      |                |                  |              |

*Source: California Municipal Statistics, Inc.*

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

### **Appeals and Reductions of Assessed Valuations**

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

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

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

### **Secured Tax Charges and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning December 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific 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 specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The County levies and collects all property taxes for property falling within that county's taxing boundaries.

### **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.

Recent 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 their 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.

Because the District is not a "basic aid" district (see "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Revenue Sources"), taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

### **Alternative Method of Tax Apportionment**

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and



interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for the agency.

### **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, 2011, and prior fiscal years are on file with the District and available for public inspection at the Chief Business Official of the District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500. The District's audited financial statements for the year ended June 30, 2011 are included for reference in Appendix D hereto.

The following table reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2007-08 through 2010-11.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
Fiscal Years 2007-08 Through 2010-11<sup>(1)</sup>  
Moreno Valley Unified School District

|  | Audited<br><u>2007-08</u> | Audited<br><u>2008-09</u> | Audited<br><u>2009-10</u> | Audited<br><u>2010-11</u> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>REVENUES</b>  |                           |                           |                           |                           |
| Revenue Limit Sources                                    | \$202,609,638             | \$196,722,889             | \$170,982,113             | \$179,629,616             |
| Federal Sources  | 20,051,102                | 33,475,023                | 29,605,911                | 33,650,090                |
| Other State Sources                                      | 68,294,655                | 69,829,001                | 59,284,904                | 58,749,728                |
| Other Local Sources                                      | <u>4,473,247</u>          | <u>2,223,711</u>          | <u>3,634,648</u>          | <u>2,939,590</u>          |
| <b>Total Revenues</b>                                    | 295,428,642               | 302,250,624               | 263,507,576               | 274,969,024               |
| <b>EXPENDITURES</b>                                      |                           |                           |                           |                           |
| Certificated salaries                                    | 150,846,240               | 149,150,925               | 139,407,340               | 136,449,698               |
| Classified salaries                                      | 43,574,236                | 43,700,417                | 42,406,458                | 43,059,186                |
| Employee benefits  | 51,244,882                | 48,754,699                | 48,920,278                | 56,418,928                |
| Books and supplies                                       | 15,457,083                | 10,222,586                | 13,103,155                | 11,206,320                |
| Contract services and operating expenses                 | 28,151,305                | 23,457,983                | 24,351,304                | 25,121,219                |
| Capital outlay   | 4,119,306                 | 2,606,295                 | 274,731                   | (713)                     |
| Other outgo  | 2,345,157                 | 1,942,409                 | 1,915,325                 | 560,255                   |
| Allocation of Indirect Costs                             | (609,903)                 | (583,511)                 | (166,964)                 | (264,952)                 |
| Debt service   | --                        | --                        | --                        | <u>1,890,963</u>          |
| <b>Total Expenditures</b>                                | <u>291,595,513</u>        | <u>279,251,803</u>        | <u>270,211,627</u>        | <u>274,440,904</u>        |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | 1,765,955                 | 22,998,821                | (6,704,051)               | 528,120                   |
| <b>OTHER FINANCING SOURCES</b>                           |                           |                           |                           |                           |
| Operating transfers in                                   | --                        | 14,392                    | --                        | --                        |
| Operating transfers out                                  | (1,446,099)               | (1,654,721)               | (1,702,092)               | (3,033,941)               |
| Contributions  | --                        | <u>938,224</u>            | <u>974,735</u>            | --                        |
| <b>Total Financing Sources (Uses)</b>                    | <u>(1,446,099)</u>        | <u>(702,105)</u>          | <u>(727,357)</u>          | <u>(3,033,941)</u>        |
| <b>Net Change in Fund Balances</b>                       | 319,866                   | 22,296,716                | (7,431,408)               | (2,505,821)               |
| <b>Fund Balance – July 1,</b>                            | 42,070,490                | 42,390,356                | <u>57,919,087</u>         | <u>50,487,679</u>         |
| <b>Fund Balance – June 30</b>                            | \$42,390,356              | \$64,687,072              | \$50,487,679              | \$47,981,858              |

<sup>(1)</sup> For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2011-12, see “-- General Fund Budget” below.  
Source: The District.

### Budget Process

**State Law Budgeting Requirements.** 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 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 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. No later than August 20, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been 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.

***Interim Financial Reports.*** 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 subsequent two fiscal years.

[The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.]

For fiscal year 2010-11, the District reported a "qualified" certification in its second interim financial report. For fiscal year 2011-12, the District reported a "positive" certification in its first interim financial report. In accordance with Section 42133 of the California Education Code, as a condition precedent to the sale of the Notes, the District is obligated to obtain a determination by the County superintendent of schools regarding the likelihood of repayment of the Notes. By a letter dated February \_\_, 2012, the District was informed by the County Office of Education of its determination that repayment of the Notes by the District was probable.

## General Fund Budget

The District's general fund adopted budgets for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, its audited actual results for the fiscal years ending June 30, 2010, and June 30, 2011, and its projected actual results for the fiscal year ending June 30, 2012, are set forth in the following table.

### GENERAL FUND BUDGETS AND ACTUAL RESULTS Fiscal Years 2009-10 Through 2011-12 Moreno Valley Unified School District

|  | 2009-10<br>Adopted<br>Budget | 2009-10<br>Audited<br>Actual | 2010-11<br>Adopted<br>Budget | 2010-11<br>Audited<br>Actual | 2011-12<br>Adopted<br>Budget | 2011-12<br>Projected<br>Totals <sup>(1)</sup> |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---|
| <b>REVENUES</b>                                |                              |                              |                              |                              |                              |   |
| Revenue Limit Sources                          | \$178,947,698                | \$170,982,113                | \$169,957,349                | \$179,629,616                | \$181,772,548                | \$181,279,338                                 |
| Federal Sources                                | 43,408,416                   | 29,605,911                   | 18,506,184                   | 33,650,090                   | 19,221,532                   | 24,016,250                                    |
| Other State Sources                            | 59,975,337                   | 58,333,240                   | 56,797,232                   | 58,749,728                   | 54,551,299                   | 57,773,598                                    |
| Other Local Sources                            | <u>1,412,542</u>             | <u>3,634,648</u>             | <u>1,637,569</u>             | <u>2,939,590</u>             | <u>5,396,055</u>             | <u>7,346,216</u>                              |
| <b>Total Revenues</b>                          | <b>283,743,993</b>           | <b>262,555,912</b>           | <b>246,898,334</b>           | <b>274,969,024</b>           | <b>260,940,434</b>           | <b>270,415,402</b>                            |
| <b>EXPENDITURES</b>                            |                              |                              |                              |                              |                              |   |
| Certificated salaries                          | 138,518,411                  | 139,407,339                  | 132,122,805                  | 136,449,698                  | 134,662,442                  | 134,624,366                                   |
| Classified salaries                            | 41,817,761                   | 42,406,459                   | 41,425,688                   | 43,059,186                   | 42,571,742                   | 42,767,473                                    |
| Employee benefits                              | 48,359,026                   | 48,920,277                   | 45,013,206                   | 56,418,928                   | 52,972,932                   | 53,317,908                                    |
| Books and supplies                             | 11,092,370                   | 13,103,155                   | 11,925,555                   | 11,206,320                   | 11,270,983                   | 26,871,609                                    |
| Contract services and operating expenditures   | 26,933,056                   | 24,351,305                   | 26,420,897                   | 25,121,219                   | 24,179,462                   | 25,313,939                                    |
| Capital outlay                                 | 279,329                      | 274,731                      | (713)                        | (713)                        | 629,070                      | 1,884,825                                     |
| Other outgo                                    | 1,335,908                    | 1,915,325                    | 276,057                      | 560,255                      | 1,894,825                    | 1,894,470                                     |
| Transfers of Indirect/direct Costs             | --                           | (166,964)                    | (301,287)                    | (264,952)                    | (361,000)                    | (361,000)                                     |
| Debt service                                   | --                           | --                           | 995,963                      | 1,890,963                    | --                           | --  |
| <b>Total Expenditures</b>                      | <b>268,335,861</b>           | <b>270,211,627</b>           | <b>258,773,171</b>           | <b>274,440,904</b>           | <b>267,820,456</b>           | <b>286,313,621</b>                            |
| <b>Excess of Revenues Over Expenditures</b>    | <b>15,408,132</b>            | <b>(7,655,714)</b>           | <b>(11,874,837)</b>          | <b>528,120</b>               | <b>(6,880,023)</b>           | <b>(15,896,219)</b>                           |
| <b>OTHER FINANCING SOURCES (USES)</b>          |                              |                              |                              |                              |                              |   |
| Transfers in                                   | --                           | --                           | --                           | --                           | --                           | --  |
| Transfers out                                  | --                           | (1,702,092)                  | (300,000)                    | (3,033,941)                  | (2,000,000)                  | (4,300,000)                                   |
| Contributions                                  | --                           | 974,735                      | --                           | --                           | --                           | --  |
| <b>Total Financing Sources (Uses)</b>          | <b>--</b>                    | <b>(727,357)</b>             | <b>(300,000)</b>             | <b>(3,033,941)</b>           | <b>(2,000,000)</b>           | <b>(4,300,000)</b>                            |
| <b>Net Increase (Decrease) in Fund Balance</b> | <b>15,408,132</b>            | <b>(8,383,759)</b>           | <b>(12,174,837)</b>          | <b>(2,505,821)</b>           | <b>(8,880,023)</b>           | <b>(20,198,219)</b>                           |
| <b>Beginning Fund Balance - July 1,</b>        | <b>57,919,087</b>            | <b>58,870,759</b>            | <b>50,487,679</b>            | <b>50,487,679</b>            | <b>47,981,866</b>            | <b>47,981,866</b>                             |
| <b>Ending Balance - June 30</b>                | <b><u>\$73,327,219</u></b>   | <b><u>\$50,487,687</u></b>   | <b><u>\$38,312,842</u></b>   | <b><u>\$47,982,858</u></b>   | <b><u>\$39,101,844</u></b>   | <b><u>\$27,783,648</u></b>                    |

<sup>(1)</sup> Projected fiscal year end results from First Interim Report.  
Source: The District.

**Existing Indebtedness**

**Long-Term Debt.** A schedule of changes of the District in long-term debt for the year ended June 30, 2011, is shown below:

|                               | Balance<br>July 1, 2010 | Additions          | Deductions         | Balance<br>June 30, 2011  |
|-------------------------------|-------------------------|--------------------|--------------------|---------------------------|
| General obligation bonds      | \$40,225,000            | --                 | \$1,925,000        | \$38,300,000              |
| Certificates of participation | 21,355,000              | --                 | 895,000            | 20,460,000                |
| Capital appreciation bonds    | 7,943,590               | \$950,863          | --                 | 8,894,453                 |
| CFD bonds                     | 101,015,000             | --                 | 4,150,000          | 96,865,000 <sup>(1)</sup> |
| Bond premium                  | 10,962,577              | --                 | 784,470            | 10,198,107                |
| Bond issuance costs           | (597,145)               | --                 | (42,653)           | (554,492)                 |
| Net OPEB obligation           | 74,662                  | --                 | 74,662             | --                        |
| IBNR estimated payments       | 10,380,147              | 3,196,689          | --                 | 13,576,836                |
| Compensated absences          | 1,768,672               | --                 | 37,650             | 1,731,022                 |
| Total government activities   | <u>\$193,147,503</u>    | <u>\$4,147,552</u> | <u>\$7,824,129</u> | <u>\$189,470,926</u>      |

<sup>(1)</sup> Debt service with respect to the bonds of these community facilities districts (the "CFD Bonds") is paid from the proceeds of special taxes levied against land within the respective community facilities districts. See "-- Statement of Direct and Overlapping Debt" below.

**General Obligation Bonds.** Debt service requirements with respect to the District's outstanding general obligation bonds and the CFD Bonds at June 30, 2011 are as follows:

| Year Ending (June 30) | <u>Governmental Activities</u> |                     |                      |
|-----------------------|--------------------------------|---------------------|----------------------|
|                       | <u>Principal</u>               | <u>Interest</u>     | <u>Total</u>         |
| 2012                  | \$6,785,000                    | \$6,934,786         | \$13,719,786         |
| 2013                  | 7,575,000                      | 6,564,280           | 14,139,280           |
| 2014                  | 8,425,000                      | 7,004,375           | 15,429,375           |
| 2015                  | 9,310,000                      | 5,436,640           | 14,746,640           |
| 2016                  | 4,715,000                      | 5,230,397           | 9,945,397            |
| 2017-2021             | 32,730,000                     | 21,815,631          | 54,545,631           |
| 2022-2026             | 19,538,521                     | 15,659,656          | 35,198,177           |
| 2027-2031             | 20,730,000                     | 11,191,037          | 31,921,037           |
| 2032-2036             | 26,980,000                     | 4663703420          | 31,617,342           |
| 2037-2041             | 4,240,000                      | 172,836             | 4,412,835            |
| Totals                | <u>\$141,028,521</u>           | <u>\$84,646,979</u> | <u>\$225,675,500</u> |

**Certificates of Participation.** Future commitments for certificates of participation as of June 30, 2011 are as follows:

| Year Ending (June 30) | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|-----------------------|---------------------|--------------------|---------------------|
| 2012                  | \$925,000           | \$969,113          | \$1,894,113         |
| 2013                  | 950,000             | 939,050            | 1,889,050           |
| 2014                  | 980,000             | 908,175            | 1,888,175           |
| 2015                  | 1,015,000           | 873,875            | 1,888,875           |
| 2016                  | 1,065,000           | 823,125            | 1,888,125           |
| 2017-2021             | 6,105,000           | 3,273,250          | 9,378,250           |
| 2022-2026             | 7,660,000           | 1,624,000          | 9,284,000           |
| 2027-2031             | 1,760,000           | 88,000             | 1,848,000           |
| Totals                | <u>\$20,460,000</u> | <u>\$9,498,588</u> | <u>\$29,958,588</u> |

**Statement of Direct and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective \_\_\_\_\_, 2012 for debt outstanding as of \_\_\_\_\_, 2012. 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 table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

[The table includes bond issues associated with community facility districts established within the District in an aggregate principal amount of \$ \_\_\_\_\_. In each case, the bonds are secured by special taxes levied against the land within the respective community facilities districts to pay for certain improvements. In addition, the District's \$9,115,000 Community Facilities District No. 2005-5 Series 2012 Special Tax Bonds were issued on February 16, 2012.]

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

[To be completed.]

Source: California Municipal Statistics, Inc.

**RIVERSIDE COUNTY POOLED INVESTMENT FUND**

*The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by any of the District, the Financial Advisor or the Underwriter. Further, neither the District nor the Underwriter can make any representation herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

It is expected that amounts held under the Resolution will be invested in the Pooled Investment Fund of the Treasurer-Tax Collector of the County of Riverside.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 30, 2011, the portfolio assets comprising the PIF had a market value of \$5,448,105,732.50.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2011, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 70.74% of the funds on deposit in the County Treasury, while approximately 29.26% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2011 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The table shows the current structure of the PIF.

**RIVERSIDE COUNTY POOL INVESTMENT FUND**  
As of December 30, 2011 (Amounts in 000's)

| <u>Investment</u>                       | <u>Book Value</u>  | <u>% of Pool</u> |
|---|--------------------|------------------|
| U.S. Treasury Securities                | \$316,285.26       | 5.79%            |
| Federal Agency Securities               | 4,649,114.77       | 85.40            |
| Cash Equivalent & Money Market Funds    | 115,000.00         | 2.11             |
| Commercial Paper                        | 114,783.00         | 2.11             |
| Medium Term Notes                       | --                 | 0.00             |
| Municipal Notes                         | 98,930.55          | 1.81             |
| Certificates of Deposit                 | 150,000.00         | 2.76             |
| Repurchase Agreements                   | --                 | 0.00             |
| Local Agency Obligations <sup>(1)</sup> | <u>560.00</u>      | <u>0.01</u>      |
| <br>TOTAL                               | <br>\$5,444,673.58 | <br>100.00%      |
| <br><b>Book Yield</b>                   | <br>0.53%          |                  |
| <b>Weighted Average Maturity</b>        | 1.30%              |                  |

<sup>(1)</sup> Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of December 30, 2011, the market value of the PIF was 100.06% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average

daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

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

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

### TAX MATTERS

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

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

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

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

It is possible that subsequent to the issuance of the Notes there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Notes or the market value of the Notes. Recently, proposed legislative changes have been introduced to Congress, which if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Notes. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Notes. No assurance can be given that subsequent to the issuance of the Notes such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Notes, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial regulatory changes or interpretations, and their collateral tax consequences relating to the Notes.

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

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

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

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

Under the provisions of the State of 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 and under provisions of the State Government Code the Notes are eligible to secure deposits of public moneys in the State.

### **RATING**

The District received the rating of "\_\_\_\_\_" on the Notes from S&P. Certain information was supplied by the District to S&P to be considered in evaluating the Notes. The rating issued reflects only the views of S&P, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so

warrant. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

### LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive property taxes or to collect other pledged revenues or contesting the District's ability to issue and retire the Notes.

[The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.]

### LEGAL OPINION

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Notes.

### INFORMATION REPORTING REQUIREMENTS

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

### AVAILABILITY OF INFORMATION

Copies of the Resolutions are available, upon written request, from the District. Further information concerning the financial condition of the District, including copies of the 2010-11 audited financial statements, may be obtained from the District as they become available.

This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of each District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her 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 to make the statements therein, in light of the circumstances under which they were made, not misleading.

### UNDERWRITING

The Notes are being purchased for reoffering by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Notes at a price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Notes of \$\_\_\_\_\_, plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_) pursuant to the purchase contract dated \_\_\_\_\_, 2012 by and among the District, the County and the Underwriter (the "Note Purchase

Agreement”). The Note Purchase Agreement provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement .

The Underwriter may offer and sell Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

### **USE OF FINANCIAL STATEMENTS**

The financial statements with supplemental information for the year ended June 30, 2011, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 4, 2011 of Wilkinson Hadley King & Co. LLP, independent accountants (the “Auditor”), are included in this Official Statement as Appendix D. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix D to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **CONTINUING DISCLOSURE**

The District will covenant for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of enumerated events is contained 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 (the “Rule”). In connection with the issuance of other debt obligations, the District has also covenanted to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than eight months following the end of the District’s fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has, in the past, failed to timely file certain information required in annual reports or notices of significant events as required under prior undertakings pursuant to the Rule. The District has since filed all such information and notices and is current with respect to its obligations entered into in connection with the Rule.

## MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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

### **MORENO VALLEY UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Judy D. White, Ed.D.  
Superintendent

## APPENDIX A

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE REGION OF THE DISTRICT

*The Notes are not obligations of the City of Moreno Valley (the "City") or the County of Riverside (the "County") and do not represent a lien or charge against any funds or property of the City or the County. The following information is provided only to give prospective investors an overview of the general economic condition of the City, the County and the State of California (the "State").*

#### General

The District encompasses approximately 752 square miles of the southern part of Riverside County (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

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,217,778 as of January 1, 2011, representing a 43.7% increase since the 2000 Census or a simple annual average increase of 3.8%. The following table presents population figures for the City of Moreno Valley, the County of Riverside and the State of California for the years 2000 through 2011.

**POPULATION**  
**City of Moreno Valley, County of Riverside and State of California**  
**(2000-11)**

| Calendar Year <sup>(1)</sup> | City of<br>Moreno Valley | County of<br>Riverside | State of<br>California |
|------------------------------|--------------------------|------------------------|------------------------|
| 2000 <sup>(2)</sup>          | 142,379                  | 1,545,387              | 33,873,086             |
| 2001                         | 144,312                  | 1,589,708              | 34,256,879             |
| 2002                         | 147,533                  | 1,655,291              | 34,725,516             |
| 2003                         | 152,355                  | 1,730,219              | 35,163,609             |
| 2004                         | 158,634                  | 1,814,485              | 35,570,847             |
| 2005                         | 167,262                  | 1,895,695              | 35,869,173             |
| 2006                         | 176,830                  | 1,975,913              | 36,116,202             |
| 2007                         | 182,330                  | 2,049,902              | 36,399,676             |
| 2008                         | 185,513                  | 2,102,741              | 36,704,375             |
| 2009                         | 189,690                  | 2,140,626              | 36,966,713             |
| 2010                         | 192,599                  | 2,179,692              | 37,223,900             |
| 2011                         | 193,365                  | 2,189,641              | 37,510,766             |

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

Source: California Department of Finance, Demographic Research Unit.

**Employers**

Employment and unemployment figures for the District are unavailable. For the past five years the unemployment rate in the County of Riverside has been above the unemployment rate of the State of California and that of the United States. For a summary of the labor force, employment and unemployment figures over the past five years for the County of Riverside, the State of California and the United States as a whole see “– Annual Average Industry Employment” below.

The following table sets forth the major employers located in the County as of 2010:

**CERTAIN MAJOR EMPLOYERS<sup>(1)</sup>  
County of Riverside  
(2010)**

| <u>Company Name</u>                        | <u>Product/Service</u>         | <u>No. of Local Employees<sup>(2)</sup></u> |
|--|--------------------------------|---|
| County of Riverside                        | County Government              | 17,467                                      |
| March Air Reserve Base                     | Government/Military            | 8,600                                       |
| University of California, Riverside        | Educational Institution        | 7,321                                       |
| Stater Bros. Markets                       | Supermarket Retailer           | 6,900                                       |
| Wal-Mart                                   | Retail Store                   | 6,550                                       |
| Riverside Unified School District          | School District                | 5,099                                       |
| Abbott Vascular                            | Medical & Biotech Manufacturer | 4,500                                       |
| Pechanga Resort & Casino                   | Casino/Resort                  | 4,000                                       |
| Kaiser Permanente Riverside Medical Center | Healthcare                     | 3,600                                       |
| Temecula Valley Unified School District    | School District                | 2,752                                       |

<sup>(1)</sup> Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.

<sup>(2)</sup> Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.  
Source: *The Business Press 2010 Book of Lists.*

**Industry and Employment**

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

The following table represents the Annual Average Labor Force for the City, the County and the State.

**CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT  
AND UNEMPLOYMENT RATE  
City of Moreno Valley, County of Riverside and State of California  
(2006-10)**

| <u>Year</u> <sup>(1)</sup> | <u>Area</u>           | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate</u> |
|----------------------------|-----------------------|--------------------|-------------------|---------------------|--------------------------|
| 2006                       | City of Moreno Valley | 83,700             | 78,700            | 4,900               | 5.9%                     |
|                            | Riverside County      | 883,400            | 839,000           | 44,400              | 5.0                      |
|                            | State of California   | 17,686,700         | 16,121,300        | 865,400             | 4.9                      |
| 2007                       | City of Moreno Valley | 85,800             | 79,700            | 6,000               | 7.0%                     |
|                            | Riverside County      | 903,800            | 849,400           | 54,300              | 6.0                      |
|                            | State of California   | 17,928,700         | 16,970,200        | 958,500             | 5.3                      |
| 2008                       | City of Moreno Valley | 86,900             | 78,300            | 8,600               | 9.9%                     |
|                            | Riverside County      | 912,100            | 834,700           | 77,400              | 8.5                      |
|                            | State of California   | 18,191,000         | 16,883,400        | 1,307,600           | 7.2                      |
| 2009                       | City of Moreno Valley | 88,100             | 74,500            | 13,700              | 15.5%                    |
|                            | Riverside County      | 916,600            | 793,600           | 123,000             | 13.4                     |
|                            | California            | 18,204,200         | 16,141,500        | 2,062,700           | 11.3                     |
| 2010                       | City of Moreno Valley | 88,100             | 73,200            | 14,900              | 16.9%                    |
|                            | Riverside County      | 913,800            | 779,500           | 134,300             | 14.7                     |
|                            | State of California   | 18,176,200         | 15,916,300        | 2,259,900           | 12.4                     |

<sup>(1)</sup> March 2010 Benchmark, data not seasonally adjusted. Annual average.

Source: State of California Employment Development Department.

## Building Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the City of Moreno Valley since 2006.

### BUILDING PERMIT VALUATIONS City of Moreno Valley (in thousands) (2006-10)

|                             | <u>2006</u>      | <u>2007</u>      | <u>2008</u>      | <u>2009</u>     | <u>2010</u>      |
|-----------------------------|------------------|------------------|------------------|-----------------|------------------|
| <b>RESIDENTIAL</b>          |                  |                  |                  |                 |                  |
| New Single-Family           | \$196,830        | \$98,759         | \$26,641         | \$30,174        | \$27,663         |
| New Multi-Family            | 119,390          | 33,789           | 9,052            | 0               | 6,812            |
| Alterations and Adjustments | <u>5,748</u>     | <u>4,781</u>     | <u>3,739</u>     | <u>1,457</u>    | <u>1,713</u>     |
| Total Residential           | \$321,969        | \$137,329        | \$39,433         | \$31,652        | \$36,189         |
| <b>NON-RESIDENTIAL</b>      |                  |                  |                  |                 |                  |
| New Commercial              | \$41,243         | \$66,287         | \$56,290         | \$1,244         | \$63,044         |
| New Industry                | 72,951           | 8,283            | 1,300            | 0               | 0                |
| New Other <sup>(1)</sup>    | 13,950           | 7,133            | 3,465            | 3,471           | 2,900            |
| Alterations & Adjustments   | <u>35,114</u>    | <u>11,287</u>    | <u>19,882</u>    | <u>8,706</u>    | <u>7,955</u>     |
| Total Nonresidential        | \$163,260        | \$92,991         | \$80,937         | \$13,421        | \$73,900         |
| <b>TOTAL ALL BUILDING</b>   | <u>\$485,229</u> | <u>\$230,321</u> | <u>\$120,371</u> | <u>\$45,053</u> | <u>\$110,089</u> |

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Note: Totals may not add up due to rounding.

Source: Construction Industry Research Board.

### NUMBER OF NEW DWELLING UNITS City of Moreno Valley (2006-10)

|               | <u>2006</u>  | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---------------|--------------|-------------|-------------|-------------|-------------|
| Single Family | 849          | 356         | 116         | 114         | 91          |
| Multi-Family  | <u>1,262</u> | <u>450</u>  | <u>84</u>   | <u>0</u>    | <u>70</u>   |
| <b>TOTAL</b>  | 2,111        | 806         | 200         | 114         | 161         |

Source: Construction Industry Research Board.



The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2006.

**BUILDING PERMIT VALUATIONS**  
**County of Riverside**  
**(in thousands)**  
**(2006-10)**

|                             | <u>2006</u>                | <u>2007</u>               | <u>2008</u>               | <u>2009</u>               | <u>2010</u>               |
|-----------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>RESIDENTIAL</b>          |                            |                           |                           |                           |                           |
| New Single-Family           | \$4,412,257                | \$2,207,320               | \$1,214,752               | \$892,790                 | \$ 914,057                |
| New Multi-Family            | 431,5                      | 238,31                    | 243,74                    | 75,7                      | 71,1                      |
| Alterations and Adjustments | <u>158,098</u>             | <u>141,996</u>            | <u>118,490</u>            | <u>85,14</u>              | <u>94,42</u>              |
| Total Residential           | \$5,001,934                | \$2,587,832               | \$1,576,983               | \$1,053,694               | \$1,079,637               |
| <b>NON-RESIDENTIAL</b>      |                            |                           |                           |                           |                           |
| New Commercial              | \$648,06                   | \$682,331                 | \$539,944                 | \$94,65                   | \$191,324                 |
| New Industry                | 288,3                      | 184,50                    | 70,4                      | 12,2                      | 6                         |
| New Other <sup>(1)</sup>    | 290,0                      | 240,76                    | 138,70                    | 107,33                    | 243,20                    |
| Alterations & Adjustments   | <u>303,407</u>             | <u>350,539</u>            | <u>292,694</u>            | <u>162,558</u>            | <u>274,339</u>            |
| Total Nonresidential        | \$1,529,838                | \$1,458,141               | \$1,041,815               | \$376,819                 | \$539,379                 |
| <b>TOTAL ALL BUILDING</b>   | <u><b>\$ 6,531,772</b></u> | <u><b>\$4,045,973</b></u> | <u><b>\$2,618,798</b></u> | <u><b>\$1,430,513</b></u> | <u><b>\$1,619,016</b></u> |

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Note: Totals may not add up due to rounding.

Source: *Construction Industry Research Board.*

**NUMBER OF NEW DWELLING UNITS**  
**County of Riverside**  
**(2006-10)**

|               | <u>2006</u>  | <u>2007</u>  | <u>2008</u>  | <u>2009</u> | <u>2010</u> |
|---------------|--------------|--------------|--------------|-------------|-------------|
| Single Family | 20,692       | 9,763        | 3,815        | 3,431       | 4,031       |
| Multi-Family  | <u>4,519</u> | <u>2,690</u> | <u>2,104</u> | <u>759</u>  | <u>526</u>  |
| <b>TOTAL</b>  | 25,211       | 12,453       | 5,919        | 4,190       | 4,557       |

Source: *Construction Industry Research Board.*

## Retail Trade

The following table shows a five-year history of taxable sales for the City of Moreno Valley.

### TAXABLE SALES TRANSACTIONS City of Moreno Valley (in thousands) (2005-09)

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|---|----------------------|---|
| 2005        | 1,395                 | \$1,110,612                               | 2,287                | \$1,189,437                               |
| 2006        | 1,502                 | 1,218,440                                 | 2,316                | 1,307,961                                 |
| 2007        | 1,398                 | 1,170,236                                 | 2,312                | 1,267,045                                 |
| 2008        | 1,402                 | 1,064,374                                 | 2,342                | 1,154,650                                 |
| 2009        | 1,546                 | 947,927                                   | 2,040                | 1,018,353                                 |

Note: In 2009, retail permits expanded to include permits for food services.

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

The following table shows a five-year history of taxable sales for the County.

### TAXABLE SALES TRANSACTIONS County of Riverside (in thousands) (2005-09)

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|---|----------------------|---|
| 2005        | 22,691                | \$20,839,212                              | 44,222               | \$28,256,491                              |
| 2006        | 23,322                | 21,842,345                                | 43,672               | 29,816,237                                |
| 2007        | 22,918                | 21,242,516                                | 45,279               | 29,023,609                                |
| 2008        | 23,604                | 18,689,249                                | 46,272               | 26,003,595                                |
| 2009        | 29,829                | 16,057,488                                | 42,765               | 22,227,877                                |

Note: In 2009, retail permits expanded to include permits for food services.

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

## Annual Average Industry Employment

The following table represents the Annual Average Labor Force and Industry Employment for the past five years in Riverside County which is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area ("MSA").

### ANNUAL AVERAGE INDUSTRY EMPLOYMENT Riverside-San Bernardino-Ontario Metropolitan Statistical Area (2006-10)

|   | 2006           | 2007           | 2008           | 2009           | 2010           |
|---|----------------|----------------|----------------|----------------|----------------|
| Agriculture                             | 17,300         | 16,400         | 15,900         | 14,900         | 14,800         |
| Natural Resources & Mining              | 1,400          | 1,300          | 1,200          | 1,100          | 1,000          |
| Construction                            | 127,500        | 112,500        | 90,700         | 67,900         | 59,500         |
| Manufacturing                           | 123,400        | 118,500        | 106,900        | 88,800         | 84,600         |
| Wholesale Trade                         | 54,200         | 56,800         | 54,100         | 48,900         | 48,800         |
| Retail Trade                            | 173,200        | 175,600        | 168,600        | 156,200        | 154,600        |
| Transportation, Warehousing & Utilities | 63,800         | 69,500         | 70,200         | 66,800         | 66,500         |
| Information                             | 15,300         | 15,400         | 14,900         | 15,100         | 15,900         |
| Financial Activities                    | 51,500         | 49,800         | 46,100         | 42,500         | 41,100         |
| Professional & Business Services        | 142,400        | 145,200        | 137,700        | 124,300        | 121,500        |
| Education & Health Services             | 122,100        | 127,200        | 131,800        | 133,600        | 133,800        |
| Leisure & Hospitality                   | 128,100        | 132,600        | 131,000        | 123,800        | 122,100        |
| Other Services                          | 42,500         | 41,200         | 40,800         | 37,300         | 37,500         |
| Government                              | <u>222,500</u> | <u>225,300</u> | <u>229,900</u> | <u>228,400</u> | <u>224,300</u> |
| Total All Industries                    | 1,285,000      | 1,287,300      | 1,239,700      | 1,149,700      | 1,126,000      |

Notes: The unemployment rates are calculated using unrounded data. Data may not add up due to rounding. Data does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor/management trade disputes. Employment reported by place of work.

Source: State Employment Development Department, Labor Market Information Division (March 2010 Benchmark).

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

### TOTAL EFFECTIVE BUYING INCOME County of Riverside and State of California (2006-10)

| <u>Year and Area</u> | <u>Total Effective Buying Income<sup>(2)</sup></u> | <u>Median Household Effective Buying Income</u> | <u>Percent of Households with Income over \$50,000</u> |
|----------------------|--|---|--|
| 2006                 |  |   |  |
| Riverside County     | \$35,656,620                                       | \$43,490  | 41.8%  |
| California           | \$764,120,082                                      | \$46,275  | 45.6%  |
| 2007                 |  |   |  |
| Riverside County     | \$38,631,365                                       | \$45,310  | 44.3%  |
| California           | \$814,894,437                                      | \$48,203  | 47.9%  |
| 2008                 |  |   |  |
| Riverside County     | \$40,935,407                                       | \$46,958  | 46.2%  |
| California           | \$832,531,445                                      | \$48,952  | 48.8%  |
| 2009                 |  |   |  |
| Riverside County     | \$40,935,686                                       | \$46,852  | 46.2%  |
| California           | \$832,528,809                                      | \$48,915  | 48.7%  |
| 2010                 |  |   |  |
| Riverside County     | \$41,337,856                                       | \$47,080  | 46.6%  |
| California           | \$844,822,042                                      | \$49,736  | 49.7%  |

<sup>(1)</sup> Estimated.

<sup>(2)</sup> Dollars in thousands.

Source: *Demographics USA, Trade Dimensions for 2006, "Survey of Buying Power," Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009 and 2010.*

## Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals

who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 91% between 1998 and 2009. The following table summarizes personal income for Riverside County for 1998 through 2009.

**PERSONAL INCOME**  
**County of Riverside**  
**(1998-2009)**  
**(in thousands)**

| <u>Year</u> | <u>Riverside County</u> | <u>Annual<br/>Percent Change</u> |
|-------------|-------------------------|----------------------------------|
| 1998        | \$33,155,565            | ---                              |
| 1999        | 35,237,015              | 6.3%                             |
| 2000        | 38,238,713              | 8.5                              |
| 2001        | 41,362,723              | 8.2                              |
| 2002        | 43,619,440              | 5.5                              |
| 2003        | 46,998,865              | 7.8                              |
| 2004        | 50,899,043              | 8.3                              |
| 2005        | 55,177,252              | 8.4                              |
| 2006        | 60,450,090              | 9.6                              |
| 2007        | 63,749,464              | 5.5                              |
| 2008        | 64,496,632              | 1.2                              |
| 2009        | 63,228,086              | (2.0)                            |

*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

**APPENDIX B**

**FORM OF OPINION OF BOND COUNSEL**

*Upon issuance of the Notes, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

\_\_\_\_\_, 2011

Members of the Board of Education  
Moreno Valley Unified School District

§ \_\_\_\_\_  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
*(Riverside County, California)*  
*2011-12 Tax and Revenue Anticipation Notes*

Members of the Board:

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of \$ \_\_\_\_\_ aggregate principal amount of the Moreno Valley Unified School District (Riverside County, California) 2011-12 Tax and Revenue Anticipation Notes (the "Notes"), issued by the Board of Supervisors of the County of Riverside (the "County") issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the State of California Government Code and pursuant to resolutions (collectively, the "Resolution") adopted by the Board of Supervisors of the County and the Board of Education of the Moreno Valley Unified School District (the "District"). The Notes are dated the date hereof and are due and payable on \_\_\_\_\_, 2012. Both the principal of and interest on the Notes are payable to the registered owner thereof at maturity in lawful money of the United States of America at the principal trust office of U.S. Bank National Association, as paying agent.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under the Constitution and laws of the State of California now in force, and the Notes constitute valid and legally binding general obligations of the District. The District has pledged an amount equal to \_\_\_\_\_ percent (\_\_\_\_%) of the principal of and interest due on the Notes at maturity from the unrestricted revenues received by the District in the month ending \_\_\_\_\_, 2012; and an amount equal to \_\_\_\_\_ percent (\_\_\_\_%) of the principal of and interest due on the Notes at maturity from the unrestricted revenues received by the District in the month ending \_\_\_\_\_, 2012, from the unrestricted revenues received by the District in the month ending \_\_\_\_\_, 2012. The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be paid from such pledged revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Resolution and with certain requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, regarding the use, expenditure and investment of proceeds of the Notes, and the timely payment of certain investment earnings to the United States, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

Interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel notes that interest on the Notes may be included as an adjustment in the calculation of federal corporate alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. We are of the further opinion that interest on the Notes is exempt from personal income taxes imposed by the State of California. We express no opinion regarding other income tax consequences resulting from the ownership of, or the receipt of interest on, the Notes.

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

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

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

With respect to the opinions expressed herein, the rights of the holders of the Notes and the enforceability thereof are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

## 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 District of \$ \_\_\_\_\_ 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution of the District and a resolution of the County of Riverside (the "County") (collectively, the "Resolution"). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders of the Notes and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"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.

"Holders" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Note for Federal income tax purposes.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean Piper Jaffray & Co., as the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

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

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

#### SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.



5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 3, 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 Noteholders.
3. optional, contingent or unscheduled calls.
4. unless described under Section 3(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
5. release, substitution or sale of property securing repayment of the Notes.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or paying agent with respect to the Notes or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 3(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 3(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after

the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 3(c).

SECTION 4. 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 maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. 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. 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.

SECTION 6. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 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) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. 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 Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. 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 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2012

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Chief Business Official

**APPENDIX D**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR  
FISCAL YEAR 2010-11**

## APPENDIX E

### BOOK ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, 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, 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.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. 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](http://www.dtcc.com).

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 each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 certificates 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 do not effect any 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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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