

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

\$7,790,000

**COMMUNITY FACILITIES DISTRICT NO. 2002-1
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS**

Dated: Date of Delivery

Due: September 1, as shown below

The Community Facilities District No. 2002-1 of the Moreno Valley Unified School District Series 2013 Special Tax Refunding Bonds (the "Bonds") are being issued by Community Facilities District No. 2002-1 of the Moreno Valley Unified School District (the "District") for the principal purpose of current refunding the District's outstanding 2002 Special Tax Bonds (the "2002 Bonds"). The 2002 Bonds were issued for the purpose, among other things, of financing certain school facilities for the Moreno Valley Unified School District (the "School District") and certain water and sewer facilities to be owned and operated by the Eastern Municipal Water District.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to Resolution No. 2012-13-62 adopted by the Board of Education of the School District on behalf of the District on May 28, 2013, and that certain Fiscal Agent Agreement entered into by and between the District and Wells Fargo Bank, National Association, as fiscal agent for the Bonds, dated as of June 1, 2013 (the "Fiscal Agent Agreement").

The Bonds are secured under the Fiscal Agent Agreement and are payable from Net Taxes (as defined herein) derived from certain annual Special Taxes (as defined herein) to be levied on taxable property and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Education of the School District and the qualified electors within the District (the "Rate and Method"). See "SOURCES OF PAYMENT FOR THE BONDS" and Appendix A – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable commencing March 1, 2014 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Bonds will be paid by Wells Fargo Bank, National Association, as the Fiscal Agent for the Bonds (the "Fiscal Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – General Provisions."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, special mandatory redemption from prepaid special taxes and mandatory sinking fund redemption prior to maturity as set forth herein.

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds are not rated by any credit rating agency.

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

MATURITY SCHEDULE
See Inside Cover Page

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the District and the School District by Bowie, Arneson, Wiles & Giannone, as special counsel to said entities. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, and for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter's Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 12, 2013.

PiperJaffray

MATURITY SCHEDULE

**COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF THE
MORENO VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS**

\$6,110,000 Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP No.[†]</i>
2014	\$255,000	2.000%	1.100%	616874KF9
2015	305,000	3.000	1.550	616874KG7
2016	315,000	3.000	2.080	616874KH5
2017	325,000	3.000	2.760	616874KJ1
2018	335,000	3.000	3.140	616874KK8
2019	345,000	3.125	3.440	616874KL6
2020	355,000	3.375	3.670	616874KM4
2021	365,000	3.625	3.910	616874KN2
2022	380,000	3.875	4.120	616874KP7
2023	395,000	4.000	4.310	616874KQ5
2024	410,000	4.125	4.450	616874KR3
2025	425,000	4.375	4.630	616874KS1
2026	445,000	4.500	4.780	616874KT9
2027	465,000	4.500	4.900	616874KU6
2028	485,000	4.625	4.980	616874KV4
2029	505,000	4.750	5.060	616874KW2

\$1,680,000 5.000% Term Bonds due September 1, 2032, Yield: 5.150% CUSIP No. † 616874KX0

[†] 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 CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the School District and the District. No dealer, broker, salesperson or other person has been authorized by the School District, the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the School District, the District, the Fiscal Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the School District or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the 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 School District or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the School District for further information. While the School District maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the School District. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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 or completeness of such information.

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

**MORENO VALLEY UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

BOARD OF EDUCATION

Cleveland Johnson, President
Tracey B. Vackar, Vice President
Jesus M. Holguin, Clerk
Gary E. Baugh, Ed.S., Member
Denise Fleming, Ed.D., Member

SCHOOL DISTRICT STAFF

Dr. Judy D. White, Superintendent
Mays Kakish, Chief Business Official

BOND COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

Fieldman Rolapp & Associates
Irvine, California

SPECIAL TAX CONSULTANT

Special District Financing & Administration
Escondido, California

FISCAL AGENT AND ESCROW AGENT

Wells Fargo Bank, National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore, Inc.
Denver, Colorado

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\$7,790,000
COMMUNITY FACILITIES DISTRICT NO. 2002-1
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT
Series 2013 Special Tax Refunding Bonds

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices, is to provide certain information concerning the issuance of the Community Facilities District No. 2002-1 of the Moreno Valley Unified School District Series 2013 Special Tax Refunding Bonds (the “Bonds”), in the aggregate principal amount set forth on the inside front cover page hereof. The proceeds of the Bonds will be used, along with certain other funds, to current refund the Community Facilities District No. 2002-1 of the Moreno Valley Unified School District 2002 Special Tax Bonds (the “2002 Bonds”), to fund a reserve fund for the Bonds (the “Reserve Fund”) and to pay costs of issuance of the Bonds. See “PLAN OF REFUNDING.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a Fiscal Agent Agreement dated as of June 1, 2013 (the “Fiscal Agent Agreement”) by and between Community Facilities District No. 2002-1 (the “District” or the “Community Facilities District”) of the Moreno Valley Unified School District (the “School District”) and Wells Fargo Bank, National Association (the “Fiscal Agent”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Net Taxes (as defined herein) and all moneys in the Special Tax Fund as described in the Fiscal Agent Agreement (except the Administrative Expense Requirement).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – DEFINITIONS.”

The District

The District was formed on February 26, 2002, and the Bonds are being issued pursuant to the Act and the Fiscal Agent Agreement. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the “State”). Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization” for additional details regarding the formation of the District and proceedings related thereto.

The District is located in the City of Moreno Valley, California, in Riverside County, south of Highway 60, east of Day Street in the vicinity of the intersection of Eucalyptus Avenue and Arbor Park Lane. Subsequent to the formation of the District, Western Pacific Housing, Inc., a Delaware corporation (“Developer”) developed and sold 557 detached single homes within the District. These homes were developed and sold between 2002 and 2004.

Forward Looking Statements

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

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

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes” and Appendix A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from amounts in the Special Tax Fund established under the Fiscal Agent Agreement.

The Net Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Special Tax Fund and the Reserve Fund, to the limited extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.”

Foreclosure Proceeds. The District has also covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant, see “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Additional Bonds for Refunding Purposes Only. The District may not issue additional indebtedness secured by the Net Taxes on a parity with the Bonds except for the purpose of refunding all or a portion of the Bonds then Outstanding. See “SOURCES OF PAYMENT FOR THE BONDS – Issuance of Parity Bonds.”

Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS – Parity Taxes and Special Assessments.”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See Appendix F – “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix F – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid special taxes as described herein. For more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

Tax Exemption

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS – Opinion of Bond Counsel.”

Set forth in Appendix B is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS.”

Professionals Involved in the Offering

Wells Fargo Bank, National Association, Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement and as escrow agent under the Escrow Agreement (as defined herein). Piper Jaffray & Co. is the Underwriter of the Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Disclosure Counsel to the District in

connection with the Bonds. Certain legal matters will be passed on for the District and the School District by Bowie, Arneson, Wiles & Giannone, as special counsel to such entities, and for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter's Counsel. Fieldman Rolapp & Associates, Inc., Irvine, California, is acting as financial advisor (the "Financial Advisor") to the District in connection with the Bonds. Other professional services have been performed by Special District Financing & Administration LLC, Escondido, California, as Special Tax Consultant and initial dissemination agent under the Continuing Disclosure Agreement, dated as of June 1, 2013, by and between the Special Tax Consultant and the District (the "Continuing Disclosure Agreement"), and Causey Demgen & Moore, Inc., Denver, Colorado, as escrow verification agent.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS."

Continuing Disclosure

The District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (the "MSRB"), which can be found at www.emma.msrb.org ("EMMA"), certain financial information and operating data. The District has further agreed to provide notice to EMMA of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC"). See "CONTINUING DISCLOSURE" for information concerning the District's past compliance with obligations pursuant to Rule 15c2-12 and see Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT" for a form of the Continuing Disclosure Agreement.

Bond Owners' Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors. See "SPECIAL RISK FACTORS."

Other Information

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

Brief descriptions of the Bonds, the Fiscal Agent Agreement, and the Escrow Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Escrow Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the School District, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Escrow Agreement and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the School District at 25634 Alessandro Boulevard, Moreno Valley, California 92553, Attention: Chief Business Official.

PLAN OF REFUNDING

The Bonds are being issued for the principal purpose of current refunding the 2002 Bonds. Concurrently with the issuance of the Bonds, the District and Wells Fargo Bank, National Association, as Fiscal Agent and as Escrow Bank (the "Escrow Bank"), will enter into an Escrow Agreement, dated as of June 1, 2013, relating to the 2002 Bonds (the "Escrow Agreement"). A portion of the proceeds derived from the sale of the Bonds, together with moneys held in certain funds and accounts relating to the 2002 Bonds, will be deposited in the Escrow Fund established for the 2002 Bonds pursuant to the Escrow Agreement. The aggregate amount of such deposits will be sufficient to redeem the 2002 Bonds on September 1, 2013 at a redemption price equal to 101% of the principal amount thereof and the interest accrued thereon to such redemption date. The aggregate amount of such deposits held in the Escrow Fund may be invested as permitted under the indenture pursuant to which the 2002 Bonds were issued, or may be held uninvested, and will be pledged solely for the redemption of the 2002 Bonds. Causey Demgen & Moore, Inc., Denver, Colorado (the "Verification Agent"), will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the 2002 Bonds. Moneys, if any, remaining in the Escrow Fund after the payment of the 2002 Bonds will be available for the payment of interest on the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds

Principal Amount of Bonds	\$7,790,000.00
Less Original Issue Discount	(133,802.10)
Less Underwriter's Discount	(116,850.00)
Plus Other Available Funds ⁽¹⁾	<u>1,103,906.66</u>
Total Sources	<u>\$8,643,254.56</u>

Uses of Funds:

Escrow Fund	\$7,845,535.00
Reserve Fund	619,000.00
Costs of Issuance Fund ⁽²⁾	<u>178,719.56</u>
Total Uses	<u>\$8,643,254.56</u>

⁽¹⁾ Includes funds transferred from the debt service reserve fund established with respect to the 2002 Bonds, and funds held to pay the September 1, 2013, payment of principal of and interest on the 2002 Bonds.

⁽²⁾ Represents aggregate amount of proceeds expected to be paid in respect of legal fees, fees of the Financial Advisor, Special Tax Consultant fees, Fiscal Agent fees, Escrow Agent fees, Verification Agent fees, printing costs and other issuance costs.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each September 1 and March 1, commencing on March 1, 2014 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the 15th day of the calendar month preceding an Interest Payment Date (each, a “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the dated date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last date to which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest will be payable from the dated date of the Bonds.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Fiscal Agent on the close of business on the Record Date. Interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California.

The Bonds are issued as fully registered bonds and will be registered in the name of Cede & Co., as the nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See Appendix F – “BOOK-ENTRY-ONLY SYSTEM.”

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or mandatory redemptions. However, it should be noted that the Rate and Method allows prepayment of the Special Taxes in full or in part, which event may result in mandatory redemption of all or portions of the Bonds. See “THE BONDS – Redemption” and “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes.”

DEBT SERVICE SCHEDULE

<i><u>Period Ending (September 1)</u></i>	<i><u>Principal</u></i>	<i><u>Interest⁽¹⁾</u></i>	<i><u>Total</u></i>
2014	\$255,000	\$360,026.52	\$615,026.52
2015	305,000	311,793.76	616,793.76
2016	315,000	302,643.76	617,643.76
2017	325,000	293,193.76	618,193.76
2018	335,000	283,443.76	618,443.76
2019	345,000	273,393.76	618,393.76
2020	355,000	262,612.50	617,612.50
2021	365,000	250,631.26	615,631.26
2022	380,000	237,400.00	617,400.00
2023	395,000	222,675.00	617,675.00
2024	410,000	206,875.00	616,875.00
2025	425,000	189,962.50	614,962.50
2026	445,000	171,368.76	616,368.76
2027	465,000	151,343.76	616,343.76
2028	485,000	130,418.76	615,418.76
2029	505,000	107,987.50	612,987.50
2030	535,000	84,000.00	619,000.00
2031	560,000	57,250.00	617,250.00
2032	<u>585,000</u>	<u>29,250.00</u>	<u>614,250.00</u>
Total	<u>\$7,790,000</u>	<u>\$3,926,270.36</u>	<u>\$11,716,270.36</u>

⁽¹⁾ Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing March 1, 2014.

Source: *The Underwriter*.

Redemption

Optional Redemption. The Bonds may be redeemed prior to maturity at the option of the District on any date on or after September 1, 2023, in whole, or in part from such maturities as are selected by the District in writing in accordance with the Fiscal Agent Agreement, and by lot within a maturity, at the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bond maturing on September 1, 2032 (the “2032 Term Bond”) is subject to mandatory redemption prior to maturity on September 1, 2030, and on each September 1 thereafter to and including September 1, 2032, in accordance with the schedule set forth below. The 2032 Term Bond shall be redeemed from Mandatory Sinking Payments that have been deposited into the Sinking Fund Redemption Account of the Redemption Fund pursuant to the Fiscal Agent Agreement.

2032 Term Bond

<i><u>Sinking Fund Redemption Date (September 1)</u></i>	<i><u>Mandatory Sinking Payments</u></i>
2030	\$535,000
2031	560,000
2032 (Maturity)	585,000

In the event of a partial optional redemption or special mandatory redemption of the 2032 Term Bond, each of the remaining Mandatory Sinking Payments for 2032 Term Bond, as applicable, shall be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000, pursuant to calculations made by the Fiscal Agent.

Special Mandatory Redemption from Prepaid Special Taxes. The Bonds are subject to special mandatory redemption prior to their stated maturities, in whole or in part from such maturities as are selected by the District in writing in accordance with the Fiscal Agent Agreement, on any Interest Payment Date for which timely notice may be given, in integral multiples of \$5,000 from moneys on deposit in the Prepayment Account of the Special Tax Fund, plus amounts transferred from the Reserve Fund, upon payment of the redemption prices set forth below, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 2013 through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 and any Interest Payment Date thereafter	100

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed pursuant to optional redemption or special mandatory redemption from prepaid special taxes, the Bonds to be redeemed will be from such maturities selected by the District, as provided in writing to the Fiscal Agent. Bonds with a single maturity will be redeemed by lot in any manner that the Fiscal Agent deems appropriate. The portion of any such Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000. In the event that Bonds are to be redeemed pursuant to optional redemption and mandatory sinking fund redemption on the same date, or mandatory sinking fund redemption and special mandatory redemption on the same date, the Fiscal Agent will first select the Bonds to be redeemed pursuant to mandatory sinking fund redemption and will then select the Bonds to be redeemed pursuant to either optional redemption or special mandatory redemption in accordance with the District’s written direction provided pursuant to the Fiscal Agent Agreement.

The Fiscal Agent will promptly notify the District of the Bonds, or portions thereof, selected for redemption by sending the District a copy of the notice required pursuant to the Fiscal Agent Agreement.

Purchase in Lieu of Redemption. In lieu of, or partially in lieu of, any optional redemption, mandatory sinking fund redemption, or special mandatory redemption, moneys deposited in an account of the Redemption Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner provided. Purchases of Outstanding Bonds may be made by the District prior to the selection of Bonds for redemption, at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, and, any applicable premium to be paid in connection with the proposed redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

Notice of Redemption. When the Fiscal Agent receives notice from the District of its election to redeem Bonds, or when the Fiscal Agent is required to redeem Bonds, the Fiscal Agent will give notice, in the name of the District, of the redemption of such Bonds. Such notice of redemption will: (a) specify the CUSIP numbers and serial numbers of the Bonds selected for redemption, except that where all the Bonds or all Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (b) state the original issue date, the interest rate and the maturity date of the Bond selected for redemption; (c) state the date fixed for redemption; (d) state the redemption price; (e) state the place or places where the Bonds are to be redeemed; and (f) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice will further state that, on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that, from and after such date, interest thereon will

cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent will mail by first class mail a copy of such notice, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent thereto, and neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bond, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as provided in the Fiscal Agent Agreement will be conclusive as against all parties, and it will not be open to any Owner to show that he or she failed to receive notice of such redemption.

Any notice of optional redemption will be cancelled and annulled if for any reason funds are not, or will not, be available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Such cancellation and annulment is not a default under the Fiscal Agent Agreement. The District will not have any liability to the Bondowners, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefore.

The District has the right to provide a conditional notice of optional redemption to any Bondowner, and to rescind any optional redemption for any reason on any date prior to the redemption date by written notice to the Bondowner of any Bond previously called for optional redemption.

Notice of rescission of optional redemption will be provided in the same manner notice of optional redemption is originally provided. The actual receipt by any Bondowner of notice for such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission. The District will not have any liability to the Bondowners, or any other party, as a result of the District's decision to rescind a redemption of the Bonds pursuant to the provisions of the Fiscal Agent Agreement.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Redemption Fund, the Bonds designated for redemption will become due and payable on the date fixed for redemption, and upon presentation and surrender of the Bonds at the place specified in the notice of redemption, and no interest will accrue on the Bonds called for redemption from and after the redemption date, and the owners of the redeemed Bonds, after the redemption date, may look for the payment of principal and premium, if any, of such Bonds or portions of Bonds only to the Redemption Fund and shall have no rights, except with respect to the payment of the redemption price from the Redemption Fund.

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond Register held by the Fiscal Agent.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Fiscal Agent Agreement and from no other sources.

The Net Taxes of the District are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from Net Taxes (which are Special Tax revenues remaining after the payment of the Administrative Expenses of up to \$22,280 on an annual basis (the “Administrative Expense Requirement”)) and from amounts held in the Special Tax Fund established under the Fiscal Agent Agreement.

Special Tax revenues include the proceeds of the Special Taxes received by the District, including any scheduled payments and prepayments thereof and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Special Tax Fund (other than the Administrative Expense Requirement), the Bond Fund, the Reserve Fund, the Redemption Fund and foreclosure proceeds resulting from the sale of delinquent parcels if and when available. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Rebate Fund and the Surplus School Facilities Fund will no longer be considered to be pledged to the Bonds and the Administrative Expense Fund, the Rebate Fund and the Surplus School Facilities Fund will not be construed as trust funds held for the benefit of the Bondowners.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the School District established the District on February 26, 2002, for the purpose of financing the acquisition, construction and installation of the School Facilities (as defined in Appendix D hereto), certain sewer and water transmission lines, sewer and water pump stations, and water reservoirs to be owned and operated by the Eastern Municipal Water District (the “Water District Facilities”), and paying incidental expenses. At a special election held on February 26, 2002, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$17,000,000, and approved the Rate and Method which authorizes the Special Tax to be levied to repay District indebtedness, including the Bonds.

The District has covenanted in the Fiscal Agent Agreement that each year it will levy Special Taxes, subject to the maximum rates permitted under the Rate and Method, in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (i) the principal of and interest on any Outstanding Bonds, (ii) any amounts required to replenish the Reserve Fund to the Reserve Requirement, and (iii) the Administrative Expense Requirement.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method and the Resolution of Formation as described below. See Appendix A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

Rate and Method of Apportionment of Special Tax. The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, *i.e.*, the Rate and Method, which the Board and the qualified electors of the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described herein. The District adopted its Rate and Method following a public hearing and an election conducted pursuant to the provisions of the Act. The full text of the Rate and Method is set forth in Appendix A hereto. The School District approved the Rate and Method pursuant to the Resolution of Formation adopted on February 26, 2002.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as Appendix A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as Appendix A.

Taxable Property and Exempt Property. Each Fiscal Year, all Taxable Property within the District shall be classified as Developed Property, Taxable Religious Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the Rate and Method. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. An Assessor’s Parcel of Residential Property shall further be classified to its appropriate Land Use Category based on the Developed Floor Area of such Assessor’s Parcel.

“*Developed Property*” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property for which a building permit for new construction was issued prior to May 1st of the prior Fiscal Year.

“*Undeveloped Property*” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property as of January 1 of the prior Fiscal Year.

“*Residential Property*” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“*Non-Residential Property*” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

“*Taxable Property*” means all of the Assessor’s Parcels within the boundaries of the District which have not been prepaid pursuant to the Rate and Method or, which are not exempt from the Special Tax pursuant to law or the Rate and Method.

“*Taxable Property Owner Association Property*” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to the Rate and Method.

“*Taxable Public Property*” means all Assessor’s Parcels of Public Property that are not exempt pursuant to the Rate and Method.

“*Taxable Religious Property*” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to the Rate and Method.

Maximum Special Tax, Assigned Annual Special Tax and Backup Annual Special Tax. The Maximum Special Tax is defined in the Rate and Method as follows:

Developed Property. The Maximum Special Tax for Developed Residential Property shall be the greater of (i) the applicable Assigned Special Tax or (ii) the applicable Backup Special Tax, if any.

- *Assigned Annual Special Tax.* The Assigned Annual Special Tax for Developed Residential Property varies from \$1,100 per dwelling unit to \$1,690 per dwelling unit, depending on Building Square Footage.
- *Backup Annual Special Tax.* The Backup Annual Special Tax per Lot within a Final Map is determined by multiplying the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Taxable Religious Property, Taxable Public Property and Taxable Property Owner's Association Property in the Final Map by \$11,988, and dividing the result by the number of Assessor's Parcels that are or are expected to be Residential Property in the Final Map. The Backup Annual Special Tax is subject to adjustment if all or any portion of a Final Map is changed or modified, as set forth in the Rate and Method.

Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property. The Maximum Special Tax for Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property within the District shall be \$11,988 per Acre. There is currently no Undeveloped Property in the District.

Method of Apportionment. Under the Rate and Method, the District levies the Special Tax as follows:

Step One: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the applicable Assigned Special Tax;

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Religious Property, Taxable Public Property and Taxable Property Owner Association Property up to the Maximum Special Tax for Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property.

Notwithstanding the foregoing, if Special Taxes of the District are levied against any parcel used for private residential purposes, under no circumstances will such Special Tax be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than ten percent. See "SOURCES OF PAYMENT FOR THE BONDS – Estimated Debt Service Coverage."

Prepayment of Special Taxes in Full. The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, Religious Property, Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the Rate and Method. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the

Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Business Director with written notice of intent to prepay, and within 5 days of receipt of such notice, the Business Director shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the District in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the Business Director shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount (defined in the Rate and Method) shall be calculated as summarized below (capitalized terms as defined below):

Bond Redemption Amount;
plus Redemption Premium;
plus Future Facilities Amount;
plus Defeasance Amount;
plus Administrative Fees and Expenses;
less Reserve Fund Credit;
equals Prepayment Amount.

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as set out in the Rate and Method. See Appendix A – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX – Section H." Proceeds of Special Tax prepayments will be applied to the redemption of Bonds as provided in the Fiscal Agent Agreement. See "THE BONDS – Redemption – Special Mandatory Redemption from Prepaid Special Taxes."

Partial Prepayment of Special Taxes. The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as provided in the Rate and Method. See Appendix A – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX – Section H." Proceeds of Special Tax prepayments will be applied to the redemption of Bonds as provided in the Fiscal Agent Agreement. See "THE BONDS – Redemption – Special Mandatory Redemption from Prepaid Special Taxes."

Appeals. The School District shall establish as part of the proceedings and administration of the District a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax, as to their Assessor's Parcel, is in error, may file a notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee shall interpret the Rate and Method and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as specified in the Rate and Method. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

UNDER NO CIRCUMSTANCES MAY THE SPECIAL TAX ON ANY ASSESSOR'S PARCEL EXCEED THE MAXIMUM RATES AS SET FORTH IN APPENDIX A HERETO. See Appendix A – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

In connection with the issuance of the Bonds, Special District Financing & Administration, the District's Special Tax Consultant, will certify that the Maximum Special Tax that may be levied on assessor's parcels within the District pursuant to the Rate and Method will be at least equal to estimated Administrative Expenses plus 110% of maximum annual debt service on the Bonds. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies, if any.

Collection of Special Taxes. The Special Taxes are levied by the District and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District has made certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current Rate and Method is not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted that no modification of the maximum authorized Special Taxes in the District will be approved by the District which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Special Taxes in each Fiscal Year at least equal to 110% of Annual Debt Service, plus the Administrative Expenses. Second, the District has further covenanted that, in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, the District will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding sentence. See "SPECIAL RISK FACTORS – Proposition 218."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the School District or the landowners in the District. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Under the provisions of the Act, such judicial foreclosure action is not mandatory.

Under the Fiscal Agent Agreement, in order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and July 1 in every year (each, a "reconciliation date") commencing July 1, 2013, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes theretofore reported by the County as paid and received. No later than forty-five (45) days after a reconciliation date, commencing on the first reconciliation date on July 1, 2013, the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes pursuant to the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for School District staff time) in conducting its duties pursuant to the Fiscal Agent Agreement shall be an Administrative Expense pursuant to the Fiscal Agent Agreement.

In addition, under the Fiscal Agent Agreement, not later than August 1 of each Fiscal Year, commencing August 1, 2013, the District will compare the amount of Special Taxes theretofore levied in the prior Fiscal Year in the District to the amount of Special Taxes theretofore reported by the County as paid and received and proceed as follows:

Individual Delinquencies. If the District determines that (i) any single parcel is subject to a Special Tax delinquency in the aggregate amount of \$5,000 or more or (ii) any owner owns one or more parcels subject to a Special Tax delinquency in an aggregate amount of \$5,000 or more, then the District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) the Board shall provide for the commencement of foreclosure proceedings by Board action within 90 days following the District's delinquency determination to the extent permissible under applicable law.

Aggregate Delinquencies. If the District determines that the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total individual delinquencies described above) exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, the District shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Board shall provide for the commencement of foreclosure proceedings by Board action within 90 days following the District's delinquency determination to the extent permissible under applicable law. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT." Notwithstanding the foregoing, however, the District will not be required to order, or take action upon, the commencement of such foreclosure proceedings, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund shall be funded at the Reserve Requirement.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the School District and the District. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure." Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS – Land Values." Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the School District any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, the Special Taxes and other amounts constituting Gross Taxes collected by the District at any time (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund) shall be transferred no later than 10 days after receipt thereof to the Fiscal Agent and shall be held in trust in the Special Tax Fund (exclusive of the Administrative Expense Requirement) for the benefit of the Bondowners and shall, exclusive of Prepaid Special Taxes held in the Prepayment Account, be transferred or applied to the funds and accounts set forth below, in the priority set forth below and at the times and in the amounts and in accordance with the Fiscal Agent Agreement:

- (i) To the Administrative Expense Fund, an amount specified in writing by the District, up to the Administrative Expense Requirement of \$22,280.
- (ii) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

(iii) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year (as defined in the Fiscal Agent Agreement).

(iv) To the Sinking Fund Redemption Account of the Redemption Fund, an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds during the current Bond Year.

(v) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement.

(vi) Provided all the amounts due in the current Bond Year are funded under (ii), (iii), (iv) and (v) above, to the extent there are additional Administrative Expenses to the Administrative Expense Fund in the amount specified in writing by the District required to bring the balance therein to the amount needed to pay such expenses.

(vii) Any remaining Special Taxes and other amounts constituting Gross Taxes shall remain in the Special Tax Fund subject to the provisions of (viii) below.

(viii) Any remaining Special Taxes and other amounts constituting Gross Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (v), above, or to pay current or pending Administrative Expenses as provided for in (i) and (vi) above, shall be deposited in the Surplus School Facilities Fund and used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; provided, any funds which are required to cure any such delinquency described above shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose under the District proceedings.

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by the District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in trust in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions of the Fiscal Agent Agreement and shall be applied to call Bonds pursuant to the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Mandatory Redemption Account of the Redemption Fund.

Investment. Moneys in each account in the Special Tax Fund will be invested and deposited by the District as described in "Investment of Moneys in Funds" below. Interest earnings and profits resulting from such investment and deposit will be retained in the applicable account in the Special Tax Fund to be used for the purposes thereof and as otherwise directed under the Fiscal Agent Agreement.

Bond Fund

One Business Day prior to each Interest Payment Date, commencing with the March 1, 2014 Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on the Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

Moneys in the Bond Fund shall be invested in accordance with the provisions of the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Bonds. Upon final maturity of the Bonds and the payment of all principal of and interest on the Bonds, any moneys remaining in the Bond Fund shall be transferred to the Special Tax Fund.

Reserve Fund

In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS”). The term “Reserve Requirement” is defined in the Fiscal Agent Agreement to mean with respect to the Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of average Annual Debt Service on the Bonds. In the event of a redemption or partial defeasance of Bonds, the Reserve Requirement will in connection therewith be re-determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such re-determined Reserve Requirement will be utilized as set forth in the Fiscal Agent Agreement. If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original principal of the Bonds, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds as provided in the Fiscal Agent Agreement.

Moneys in the Reserve Fund will be invested and deposited as described in “Investment of Moneys in Funds” below. Moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of Excess Investment Earnings) will be withdrawn on each March 1 and transferred to the Interest Account of the Bond Fund, and any remaining excess will be transferred to the Principal Account of the Bond Fund, or to the Sinking Fund Redemption Account of the Redemption Fund to the extent required to make any principal payment or Mandatory Sinking Payments on the following September 1, all as provided in the Fiscal Agent Agreement.

The Fiscal Agent shall transfer Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the provisions of the Fiscal Agent Agreement.

See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Administrative Expense Fund

The Fiscal Agent will receive the transfer of Special Taxes from the District from the Special Tax Fund and deposit in the Administrative Expense Fund amounts to pay Administrative Expenses as described above in “ – Special Tax Fund.”

Pursuant to the Fiscal Agent Agreement, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the Bonds.

Surplus School Facilities Fund

Moneys in the Surplus School Facilities Fund may be used at the option of the District for acquisition and/or construction of the School Facilities, to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Tax Certificate and the Regulations, for the payment of principal of or interest on the Bonds, or for the optional redemption of any of the Bonds.

Pursuant to the Fiscal Agent Agreement, moneys on deposit in the Surplus School Facilities Fund are not pledged for payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondholder's lien.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments (as defined in the Fiscal Agent Agreement), as directed by an Authorized Representative, that mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be invested in Authorized Investments which provide liquidity needed to satisfy any calls on funds in the Reserve Fund. Such liquidity shall provide that at least one half of the moneys in the Reserve Fund shall be available for draw in advance of any Interest Payment Date, except in the case of guaranteed investment contracts which may have a longer term. Such Authorized Investments shall not have a final maturity of greater than three years (except for guaranteed investments contracts through which moneys in the Reserve Fund may be invested for a longer period). In the absence of any direction from an Authorized Representative, subject to other limitations set forth in the Fiscal Agent Agreement, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in a taxable or tax-exempt government money market portfolio mutual fund as described in clause (j) of the definition of Authorized Investments (including funds for which the Fiscal Agent or its affiliates or subsidiaries provide investment advisory or other management services). See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for a definition of "Authorized Investments."

Payment of Rebate Obligation

The District is required to calculate excess investment earnings in accordance with the requirements set forth in the Fiscal Agent Agreement. If necessary, the District may use amounts in the Reserve Fund in excess of the Reserve Requirement that constitute Excess Investment Earnings, amounts on deposit in the Administrative Expense Fund and other funds available to the District to satisfy rebate obligations. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

Estimated Debt Service Coverage

The projected net Assigned Special Taxes on Developed Property within the District, the projected debt service on the Bonds, and the resulting estimated debt service coverage ratio are as follows:

<u>Year Ending (September 1)</u>	<u>Net Assigned Special Tax on Developed Property⁽¹⁾</u>	<u>Debt Service on the Bonds</u>	<u>Estimated Debt Service Coverage⁽²⁾</u>
2014	\$734,499.00	\$615,026.52	119.43%
2015	734,499.00	616,793.76	119.08
2016	734,499.00	617,643.76	118.92
2017	734,499.00	618,193.76	118.81
2018	734,499.00	618,443.76	118.77
2019	734,499.00	618,393.76	118.78
2020	734,499.00	617,612.50	118.93
2021	734,499.00	615,631.26	119.31
2022	734,499.00	617,400.00	118.97
2023	734,499.00	617,675.00	118.91
2024	734,499.00	616,875.00	119.07
2025	734,499.00	614,962.50	119.44
2026	734,499.00	616,368.76	119.17
2027	734,499.00	616,343.76	119.17
2028	734,499.00	615,418.76	119.35
2029	734,499.00	612,987.50	119.82
2030	734,499.00	619,000.00	118.66
2031	734,499.00	617,250.00	119.00
2032	734,499.00	614,250.00	119.58

⁽¹⁾ Based on projected aggregate Assigned Special Tax proceeds, less Administrative Expense Requirement.

⁽²⁾ Calculated by dividing the Net Assigned Special Tax on Developed Property, by the debt service on the Bonds.

Sources: *Special District Financing & Administration LLC; debt service on the Bonds provided by the Underwriter.*

The District may levy up to the Maximum Special Tax rates on Taxable Property within the District; provided that, if Special Taxes of the District are levied against any parcel used for private residential purposes, in accordance with Section 53321 of the Act as in effect at the time of formation of the District, under no circumstances will such Special Tax be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than ten percent. See “– Special Taxes – *Rate and Method of Apportionment of Special Tax.*” Consequently, if the District elects in the future to levy Special Taxes at less than the Assigned Annual Special Tax rate, it may not be possible to increase the levy in subsequent years to the Assigned Annual Special Tax rate.

Issuance of Parity Bonds

The District may not issue additional obligations entitled to a lien on the Special Taxes under the Fiscal Agent Agreement which are secured on a parity with the Bonds (“Parity Bonds”), except (i) bonds issued to fully or partially refund Outstanding Bonds, or (ii) subordinate bonds, notes, or other similar evidences of indebtedness. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District comprises approximately 114 gross acres of land located in the City of Moreno Valley (the “City”), California, in Riverside County. Incorporated in 1984, Moreno Valley is located in the northwest portion of the County of Riverside (the “County”). The District is located south of Highway 60, east of Day Street in the vicinity of the intersection of Eucalyptus Avenue and Arbor Park Lane.

Formation and Authorization

Pursuant to the Act, on January 15, 2002, the Board of Education of the School District, acting as the legislative body of the District, adopted Resolution Nos. 2001-02-42 and 2001-02-43 (collectively, the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$17,000,000 within the District for the purpose of financing the acquisition, construction expansion, improvement, or rehabilitation of the School Facilities and Water District Facilities (collectively, the “Facilities”) to serve the area within the District and its neighboring areas. Subsequent to a noticed public hearing on February 26, 2002, the Board adopted Resolution Nos. 2001-02-57 and 2001-02-58 on February 26, 2002 (collectively, the “Resolution of Formation”), which established the District, authorized the levy of a special tax within the District, determined the necessity to incur bonded indebtedness in an amount not to exceed \$17,000,000 within the District and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit.

On February 26, 2002, an election was held within the District in which the landowners eligible to vote unanimously approved the proposition authorizing the issuance of bonds in an amount not to exceed \$17,000,000 to finance the acquisition, construction and equipping of the Facilities and the appropriations limit of \$17,000,000 per year. On March 12, 2002, the Board, acting as the legislative body of the District, adopted Ordinance No. 2002-1 (the “Ordinance”) which provides for the rate and method of apportionment and levying of the Special Tax (referred to herein as the “Rate and Method”). The Bonds are being issued and delivered pursuant to the provisions of the Act and the Fiscal Agent Agreement. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriter and the District. For more complete information, see “THE BONDS – General Provisions.”

Subsequent to the formation of the District, Western Pacific Housing, Inc., a Delaware corporation (“Developer”) developed and sold 557 detached single homes within the District. These homes were developed and sold between 2002 and 2004.

Special Tax Levies and Delinquencies

Special Taxes within the District were first levied in Fiscal Year 2002-03, and have only been levied on Developed Property in each successive fiscal year. Table 1 below summarizes the annual secured tax levies within the District and the amount delinquent as of June 30 for the Fiscal Years 2007-08 through 2012-13. Future delinquencies could increase as a result of factors such as changes in the local or national economy, increases in the mortgage rates and/or increases in the unemployment rate in the area. See “SPECIAL RISK FACTORS – Special Tax Delinquencies.”

TABLE 1
MORENO VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2002-1
Special Tax Levy and Delinquencies

<i>Fiscal Year</i>	<i>Number of Parcels Levied</i>	<i>Total Tax Levied</i>	<i>Fiscal Year Amount Delinquent as of June 30⁽¹⁾</i>	<i>% Delinquent June 30</i>	<i>Amount Collected as of 4/10/13</i>	<i>Remaining Delinquency as of 4/10/13</i>	<i>Remaining Delinquency Rate as of 4/10/13</i>
2007-08	557	\$756,779.00	\$86,513.00	11.43%	\$749,206.00	\$7,573.00	1.00%
2008-09	557	756,779.00	48,701.00	6.44	747,478.00	9,301.00	1.23
2009-10	557	756,779.00	24,440.50	3.23	753,413.00	3,366.00	0.44
2010-11	557	756,779.00	12,008.50	1.59	751,874.50	4,904.50	0.65
2011-12	557	756,779.00	5,651.50	0.75	755,132.00	1,647.00	0.22
2012-13	557	756,779.00	N/A	N/A	740,212.00	16,567.00	2.19

⁽¹⁾ Reflects amount delinquent as of June 30 in the Fiscal Year in which the Special Taxes were levied.
Source: Special District Financing & Administration LLC.

Direct and Overlapping Indebtedness

The District is included within the boundaries of numerous overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in Table 2 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District without the approval of the District or the School District and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

The table below reflects all taxable property in the District. As illustrated in the following tables, the Fiscal Year 2012-13 assessed value of the property subject to the Special Tax is \$106,437,218, and the projected value-to-lien (including the Bonds and all other overlapping general obligation, special tax and assessment bonds within the District (approximately \$8,512,560, inclusive of the Bonds)) is approximately 12.50-to-1. However, such value-to-lien ratio is for the entire District. The ratios of the value of individual lots within the District to their respective shares of the principal amount of the Bonds and other overlapping debt varies substantially. See Table 5 herein.

The debt report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or other special taxes. The debt report is included for general information purposes only. Although the District has reviewed the debt report, it makes no representations as to its completeness or accuracy.

**TABLE 2
 MORENO VALLEY UNIFIED SCHOOL DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 2002-1
 DIRECT AND OVERLAPPING DEBT**

2012-13 Local Secured Assessed Valuation: \$106,437,218 (Taxable Parcels)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/13</u>
Metropolitan Water District General Obligation Bonds	0.005%	\$8,372
Moreno Valley Unified School District General Obligation Bonds	0.985	389,316
Riverside City Community College District General Obligation Bonds	0.142	324,872
Moreno Valley Unified School District Community Facilities District No. 2002-1	100.	<u>7,545,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$8,267,560
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.053%	\$343,234
Riverside County Pension Obligations	0.053	183,036
Riverside County Board of Education Certificates of Participation	0.053	2,058
Moreno Valley Unified School District Certificates of Participation	0.985	183,136
City of Moreno Valley General Fund Obligations	0.985	<u>716,048</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$1,427,512
Less: Riverside County supported obligations		<u>6,153</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$1,421,359
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
		\$1,830,624
 GROSS COMBINED TOTAL DEBT		
		\$11,525,696 ⁽²⁾
NET COMBINED TOTAL DEBT		
		\$11,519,543

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$7,545,000)	7.09%
Total Direct and Overlapping Tax and Assessment Debt.....	7.77%
Gross Combined Total Debt.....	10.83%
Net Combined Total Debt	10.82%

Ratios to Redevelopment Incremental Valuation (\$105,900,409):

Total Overlapping Tax Increment Debt.....	1.73%
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(1) Excludes the Bonds described herein; includes the 2002 Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Overlapping Direct Assessments

The properties within the District are also subject to the following direct assessments: (i) a Metropolitan Water District Standby East (“MWD Standby East”) assessment; and (ii) an Eastern Metropolitan Water District Standby Combined Charge (“EMWD Standby”) assessment.

The MWD Standby East assessment is fixed unless the Metropolitan Water District Board of Directors proposes an increase, whereby a vote by the public to approve of the increase will be needed. This pay-as-you-go assessment is used for water reliability projects and service payments.

The EMWD Standby assessment is fixed unless there is a vote to increase the assessment. This pay-as-you-go assessment is used for maintenance and operations of water and sewer lines, and transportation of water from Northern California to Southern California.

Both the MWD Standby East assessment and the EMWD Standby assessment are reflected in Table 3 below.

Estimated Fiscal Year 2012-13 Tax Rates

Table 3 below sets forth Fiscal Year 2012-13 overall estimated tax rates based on the average assessed value of dwelling units and the average home size. Table 3 sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

**TABLE 3
MORENO VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2002-1
ESTIMATED FISCAL YEAR 2012-13 TAX OBLIGATION**

ASSESSED VALUATION AND PROPERTY TAXES		
Total Assessed Value of Taxable Property ⁽¹⁾	\$106,437,218	
Number of Dwelling Units	557	
Average Assessed Value of Taxable Dwelling Unit	\$191,090	
Average Home Size	2,084	
	Percent of	Expected
	Total Assessed	Amount to be
	Valuation	Levied
AD VALOREM PROPERTY TAXES		
General Purpose	1.00000%	\$1,910.90
Moreno Valley Unified School District	0.04060	77.58
Riverside City Community College	0.01702	32.52
Metro Water East 1301999	0.00350	6.69
ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES		
Flood Control Stormwater / Cleanwater		\$3.14
CSA 152- Moreno Valley Stormwater		8.14
Moreno Valley USD CFD 2002-1		1,334.00
Moreno Valley CS Zone A		87.50
Moreno Valley CS Zone B		25.26
Moreno Valley CS Zone C		9.00
Moreno Valley CS Zone E		130.80
Moreno Valley Trash Disposal Del		663.26
Moreno Val E-1A Renaissance PK		80.10
MWD Standby East		6.94
EMWD Standby-Combined Charge		25.00
PROJECTED TOTAL PROPERTY TAXES		\$4,400.84
Percent of Property Taxes to Assessed Minimum Market Value:		2.30302%

⁽¹⁾ The Total Assessed Value of Taxable Property is sourced from the County of Riverside Assessor Data roll close dated July 1, 2012.

Source: *Special District Financing & Administration LLC*.

Estimated Value-To-Lien Ratios

Table 4 below incorporates the assessed values assigned to parcels, the estimated principal amount of the Bonds allocable to such parcels and the aggregate estimated assessed value-to-lien ratios for such parcels. Table 4 calculates the assessed value-to-lien ratios based only upon the principal amount of the Bonds and does not include the overlapping general obligation debt described in Table 2 above.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF THE
MORENO VALLEY UNIFIED SCHOOL DISTRICT
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS FOR TAXABLE PARCELS
IN THE DISTRICT AS OF JULY 1, 2012**

<i>Land Use Category</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2012-13 Actual Special Tax</i>	<i>Percentage of Fiscal Year 2012-13 Actual Special Tax</i>	<i>Bonds Outstanding⁽¹⁾</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Estimated Assessed Value-to-Lien Ratio⁽³⁾</i>
1 - 2,801 sq. ft. or greater	70	\$118,300	15.63%	\$1,217,736	\$15,751,250	12.93 to 1
2 - 2,601 sq. ft. to 2,800 sq. ft.	63	103,761	13.71	1,068,077	13,600,315	12.73 to 1
3 - 2,301 sq. ft. to 2,600 sq. ft.	39	56,784	7.50	584,513	8,244,641	14.11 to 1
4 - 2,101 sq. ft. to 2,300 sq. ft.	40	56,840	7.51	585,090	8,137,998	13.91 to 1
5 - 1,851 sq. ft. to 2,100 sq. ft.	93	124,062	16.39	1,277,048	17,428,265	13.65 to 1
6 - 1,651 sq. ft. to 1,850 sq. ft.	116	141,636	18.72	1,457,948	20,632,198	14.15 to 1
7 - 1,501 sq. ft. to 1,650 sq. ft.	84	98,196	12.98	1,010,793	14,368,642	14.22 to 1
8 - 1,500 sq. ft. or less	<u>52</u>	<u>57,200</u>	<u>7.56</u>	<u>588,795</u>	<u>8,273,909</u>	<u>14.05 to 1</u>
Total	557	\$756,779	100.00%	\$7,790,000	\$106,437,218	13.66 to 1

⁽¹⁾ Reflects the Bonds to be issued, allocated based on the actual Fiscal Year 2012-13 levy. For purposes of this Table 4, the general obligation debt as shown in Table 2 issued by the Metropolitan Water District, Moreno Valley Unified School District and Riverside Community College District is not included.

⁽²⁾ Assessed value as of July 1, 2012, as provided by the County of Riverside Assessor's Office.

⁽³⁾ Estimated assessed value to lien ratio. Ratio calculated by dividing Total Assessed Value column by the sum of the Bonds Outstanding column.

Source: *Special District Financing & Administration LLC.*

Additionally, Table 5 on the following page sets forth the stratification of value-to-lien of the parcels within the District based on each parcel's respective share of the principal amount of the Bonds allocated according to each parcel's total projected Special Tax levy for Fiscal Year 2013-14 and based on each parcel's respective share of other direct and overlapping debt within the District allocated according to Fiscal Year 2012-13 assessed value.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF THE
MORENO VALLEY UNIFIED SCHOOL DISTRICT
VALUE-TO-LIEN STRATIFICATION**

<i>Value-to-Lien Category</i>	<i>Number of Parcels ⁽¹⁾</i>	<i>Fiscal Year 2012-13 Taxable Property Assessed Value⁽²⁾</i>	<i>Combined Overlapping Liens⁽³⁾</i>	<i>Combined Value-to-Lien Ratio</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy ⁽¹⁾</i>	<i>Percentage Share of Special Tax</i>
Above 14:1	2	\$386,258	\$27,224	14.19 : 1	\$2,390	0.32%
12:1 to 14:1	421	77,881,106	6,067,776	12.84 : 1	538,107	71.10
10:1 to 12:0	133	28,104,834	2,403,387	11.69 : 1	214,948	28.40
5:1 to 10:1	--	--	--	NA	--	0.00
Below 5:1	<u>1</u>	<u>65,020</u>	<u>14,173</u>	<u>4.59 : 1</u>	<u>1,334</u>	<u>0.18</u>
Total ⁽⁴⁾	557	\$106,437,218	\$8,512,560	12.50 : 1	\$756,779	100.00%

⁽¹⁾ Includes all Taxable Property as of July 1, 2012, as confirmed by Special District Financing & Administration LLC, with the County of Riverside. Excludes parcels classified as Exempt Property.

⁽²⁾ Assessed value as of July 1, 2012, as provided by the County of Riverside Assessor's Office.

⁽³⁾ Combined overlapping liens include the Bonds and other direct and overlapping tax and assessment debt shown in Table 2, but does not include the 2002 Bonds.

⁽⁴⁾ Totals may not sum due to rounding.

Source: *Special District Financing & Administration LLC.*

Historical Assessed Values

The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within the District. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. The gross assessed valuation of property within the District may not be representative of the actual market value of property within the District because Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% a year, unless a property is sold or transferred. See "SPECIAL RISK FACTORS – Land Values." As a consequence, assessed values are typically less than actual market values unless (i) the property has recently changed ownership or has been reassessed, or (ii) market values are in decline.

Table 6 shows the historical number of parcels taxed in the District and the assessed valuation of property within the District.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF THE
MORENO VALLEY UNIFIED SCHOOL DISTRICT
HISTORICAL ASSESSED VALUES**

<i>Year</i>	<i>Value Date</i>	<i>Taxable Assessed Value⁽¹⁾</i>	<i>Taxable Developed Parcels</i>	<i>No. of Prepayments</i>	<i>No. of Developed Dwelling Units</i>	<i>No. of Undeveloped Lots</i>
2012-13	1/1/2012	\$106,437,218	557	0	557	0
2011-12	1/1/2011	104,631,802	557	0	557	0
2010-11	1/1/2010	107,870,237	557	0	557	0
2009-10	1/1/2009	112,653,577	557	0	557	0
2008-09	1/1/2008	146,798,247	557	0	557	0

⁽¹⁾ Excludes the value of all prepaid dwelling units and includes the value of all lots classified as undeveloped.

Source: *Special District Financing & Administration LLC.*

Largest Taxpayers

Table 7 below lists the top property taxpayers within the District measured by the percentage of Fiscal Year 2012-13 Special Tax levy.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF THE
MORENO VALLEY UNIFIED SCHOOL DISTRICT
TOP TAXPAYERS⁽¹⁾**

<i>Property Owner ⁽¹⁾</i>	<i>Number of Parcels Taxed</i>	<i>Fiscal Year 2012-13 Actual Special Tax Levied on Subject Parcels</i>	<i>Percentage of Fiscal Year 2012-13 Special Tax</i>
Chang Stuart	6	\$9,072.00	1.20%
Thai Thanh	7	8,643.00	1.14
Chau Jack Chungyee	6	7,552.00	1.00
Franco Armando	3	4,168.00	0.55
Bank Of America	3	3,724.00	0.49
Tam Fanny Monyee	2	2,668.00	0.35
Federal Natl Mortgage Assn	2	2,590.00	0.34
Bakhaya Moutaz	2	2,434.00	0.32
Co Marcelo	2	2,390.00	0.32
Tafoya Jose Luis	2	2,390.00	0.32
Remaining Owners ⁽²⁾	<u>522</u>	<u>711,148.00</u>	<u>93.97</u>
	557	\$756,779.00	100.00%

⁽¹⁾ Based on Ownership information as of January 3, 2013, as provided by the Riverside County Tax Assessor.

⁽²⁾ No more than one parcel is attributed to each of the remaining owners; and no such owner represents more than 0.23% of the total levy.

Source: *Special District Financing & Administration LLC.*

THE MORENO VALLEY UNIFIED SCHOOL DISTRICT

The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor taxing power of the School District have been pledged to the payment of the Bonds and the Bonds will not be payable from any of School District's revenues or assets.

General Information

The School District was organized as a unified school district of the State 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 School District operates twenty-three elementary schools, six middle schools, five high schools, one charter school, and three other alternative schools. Total enrollment for the School District is projected to be 35,046 in fiscal year 2012-13.

Administration

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

**MORENO VALLEY UNIFIED SCHOOL DISTRICT
Board of Education**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Cleveland Johnson	President	December, 2014
Tracey B. Vackar	Vice President	December, 2016
Jesus M. Holguin	Clerk	December, 2014
Gary E. Baugh, Ed.S.	Member	December, 2014
Denise Fleming, Ed.D.	Member	December, 2016

The Superintendent of the School District is responsible for administering the affairs of the School 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 36 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 School 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 14 years of 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 School District over the last eight fiscal years and projected A.D.A. for the current and following fiscal year.

**AVERAGE DAILY ATTENDANCE
Fiscal Years 2004-05 Through 2013-14
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	34,072
2011-12	33,857
2012-13	33,847
2013-14 ⁽¹⁾	33,589

⁽¹⁾ Projected.
Source: The School District.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District and the value of the Bonds in the secondary market. See “– Land Values” and “– Limited Secondary Market.”

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or commercial buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; and (iv) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “– Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the School District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the School District. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no owner of the Bonds may compel the exercise of any taxing power by the District or the School District or force the forfeiture of any School District or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the School District or a legal or equitable pledge, charge, lien or encumbrance upon any of the School District’s or the District’s property or upon any of the School District’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Fiscal Agent Agreement.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned. See Appendix A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes.”

The Bonds have been sized to produce debt service coverage on the Bonds from Assigned Special Taxes from Developed Property of at least 110%, net of the \$22,280 Administrative Expense Requirement. Additionally, if necessary due to delinquencies, extraordinary Administrative Expenses or otherwise, Special

Taxes up to the maximum Special Taxes as permitted by the Rate and Method and the Resolution of Formation could be levied on property within the District. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Rate and Method of Apportionment of Special Tax – Method of Apportionment.” Notwithstanding that the maximum Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rate and Method.

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.” The District has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occur, the District could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The District has covenanted that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates. See “– Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax expressly exempts certain property owned by public agencies and other exempt entities in the District. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – *Taxable Property and Exempt Property*” and Section E of Appendix A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a

special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not within a State of California Alquist-Priolo Earthquake Fault Zone.

In addition, certain of the parcels located in the southwest corner of the District are adjacent to a flood control detention basin, designed to collect water runoff from a 1% annual chance flood (as known as a 100-year flood). According to the Riverside County Transportation and Land Management Agency, these parcels are located within an area of flooding sensitivity. Notwithstanding the preceding, the District is not located in a special flood hazard area as designated by the Federal Emergency Management Agency.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not

independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT – Estimated Value-to-Lien Ratios."

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the District which is the security for the Bonds. As discussed herein, many factors could adversely affect property values.

In addition, no assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See "THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "– Bankruptcy and Foreclosure."

Neither the District nor the School District have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may,

without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness” and “– Estimated Value to Lien Ratios.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The School District has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “– Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution "this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding." In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "– Insufficiency of Special Taxes."

The District's remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay the principal of and interest on the Bonds and/or to redeem Bonds and moneys on deposit in the Revenue Fund from being applied to pay debt service of on the Bonds if bankruptcy proceedings were brought by or against property owner or their successors and if the court found that any of such landowners had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Moreover, the ability of the District to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial foreclosure.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Fiscal Agent Agreement, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Fiscal Agent Agreement.

IRS Audit of Tax-Exempt Bond Issues

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

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

"Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the Board of Education acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the

Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels of Developed Property within the District. In connection with the foregoing covenant, the Board of Education has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Limitations on Remedies.”

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the School District, or local districts to increase revenues or to increase appropriations.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement with Special District Financing & Administration LLC, as dissemination agent, the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, on an annual basis by March 1 of each Fiscal Year beginning March 1, 2014 certain financial information and operating data concerning the District. The District has further agreed to provide notice to EMMA of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the SEC. The inclusion of this information does not mean that the

Bonds are secured by any resources or property of the School District or the District other than Net Taxes and other amounts held under the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS – Limited Obligations.” Within the past five years, the District has not failed to comply in all material respects with any undertaking pursuant to Rule 15c2-12 to provide annual reports or notices of specified events. The School 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 Rule 15c2-12. The School District has since filed all such information and notices and is current with respect to its obligations entered into in connection with Rule 15c2-12. The full text of the Continuing Disclosure Agreement is set forth in Appendix E.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Fiscal Agent Agreement and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation.

Owners of the Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds other than as expressly set forth above.

See Appendix B – “FORM OF OPINION OF BOND COUNSEL” for the proposed form of the opinion of Bond Counsel.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District, or the School District, as applicable, or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District or the School District, as applicable, and their respective appointed counsel, including the Owners, would have little, if any, right to

participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District, School District or the Owners to incur significant expense.

Original Issue Discount; Premium Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is in the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earliest call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax-exempt interest received, will be reduced by the amount of amortizable bond premium property allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

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

IRS Audit of Tax-Exempt Bond Issues

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

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the School District nor the District is aware of any litigation pending or threatened which questions the existence of the District or the School District or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$7,539,347.90 (being \$7,790,000.00 aggregate principal amount thereof, less original issue discount of \$133,802.10 and less Underwriter's discount of \$116,850.00). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page thereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Financial Advisor, the Fiscal Agent and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the Bonds.

ESCROW VERIFICATION

Upon delivery of the Bonds, Causey Demgen & Moore, Inc., Denver, Colorado will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the 2002 Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. 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.

The execution and delivery of this Official Statement by the Superintendent of the School District has been duly authorized by the Board of Education of the Moreno Valley Unified School District acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF
THE MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By: /s/ Dr. Judy D. White
Superintendent of the Moreno Valley Unified School
District, which is acting in its capacity as the legislative
body of Community Facilities District No. 2002-1 of the
Moreno Valley Unified School District

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2002-1 ("CFD No. 2002-1") of the Board of Education of the Moreno Valley Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2002-2003, in an amount determined by the School District, through the application of the Rate and Method of Apportionment as described below. All of the real property within CFD No. 2002-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2002-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the School District, CFD No. 2002-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2002-1 or any designee thereof of complying with School District, CFD No. 2002-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, CFD No. 2002-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the School District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2002-1 for any other administrative purposes of CFD No. 2002-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2002-1 under the Act which are secured by Special Taxes.

“Business Director” means the Business Director of the Moreno Valley Unified School District or his or her designee.

“CFD No. 2002-1” means the Moreno Valley Unified School District Community Facilities District No. 2002-1.

“City” means the City of Moreno Valley.

“County” means the County of Riverside.

“Developed Floor Area” means the total building square footage of the building(s) located on an Assessor’s Parcel, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, garages, carports, or similar spaces attached to the building. The determination of Developed Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property for which a building permit for new construction was issued prior to May 1st of the prior Fiscal Year.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means any of the categories listed in Table 1.

“Maximum Special Tax” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Non-Residential Property” means all Assessor Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property, and Taxable Religious Property.

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as of January 1st of the prior Fiscal Year.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency as of January 1st of the prior Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as of January 1st of the prior Fiscal Year, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Religious Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 that is used primarily as a place of worship and is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1st of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor’s Parcels used for religious schools, day care, or congregate care facilities.

“Residential Property” means all Assessor Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“School District” means the Board of Education of the Moreno Valley Unified School District.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property in accordance with Section D.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2002-1 to: (i) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; and (v) pay directly for acquisition or construction of CFD No. 2002-1 facilities eligible under the Act so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to Undeveloped Property; less (vi) a credit for funds available to reduce the annual Special Tax levy, as determined by the Business Director pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2002-1 which have not been prepaid pursuant to Section H or, which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property as of January 1st of the prior Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2002-1 shall be classified as Developed Property, Taxable Religious Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this rate and method of apportionment determined pursuant to Sections C and D below.

Assessor Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. An Assessor Parcel of Residential Property shall further be classified to its appropriate Land Use Category based on the Developed Floor Area of such Assessor Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. **Developed Property**

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel of Residential Property that is classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Assessor Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor Parcel of Developed Property is shown in Table 1 below.

TABLE 1

Assigned Special Taxes for Developed Property

<i>Land Use Category</i>	<i>Taxable Unit</i>		<i>Assigned Special Tax Per Taxable Unit</i>
1 - Residential Property	D/U	2,801 sq. ft. or greater	\$1,690
2 - Residential Property	D/U	2,601 sq. ft. to 2,800 sq. ft.	\$1,647
3 - Residential Property	D/U	2,301 sq. ft. to 2,600 sq. ft.	\$1,456
4 - Residential Property	D/U	2,101 sq. ft. to 2,300 sq. ft.	\$1,421
5 - Residential Property	D/U	1,851 sq. ft. to 2,100 sq. ft.	\$1,334
6 - Residential Property	D/U	1,651 sq. ft. to 1,850 sq. ft.	\$1,221
7 - Residential Property	D/U	1,501 sq. ft. to 1,650 sq. ft.	\$1,169
8 - Residential Property	D/U	1,500 sq. ft. or less	\$1,100
9 - Non - Residential Property	Acre	N/A	\$11,988

c. Backup Special Tax

When a Final Map is recorded within CFD 2002-1, the Backup Special Tax for the Assessor Parcels of Residential Property within such Final Map area shall be determined.

For Assessor Parcels of Residential Property within a Final Map, the Backup Special Tax shall be determined by multiplying \$11,988 by the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Taxable Religious Property, Taxable Public Property and Taxable Property Owner's Association Property in such Final Map and dividing such amount by the number of Assessor Parcels that are or are expected to be Residential Property (i.e., the number of residential lots) within such Final Map.

Notwithstanding the foregoing, if parcels of Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

2. Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Religious Property, Taxable Public Property, and Taxable Property Owner Association Property within CFD 2002-1 shall be \$11,988 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Religious Property, Taxable Public Property and Taxable Property Owner Association Property up to the Maximum Special Tax for Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property.

E. EXEMPTIONS

No Special Tax shall be levied on up to 45.27 Acres of Religious Property, Public Property and Property Owner Association Property. Tax-exempt status will be irrevocably assigned by the Business Director in the chronological order in which property becomes Religious Property, Public Property or Property Owner Association Property. Religious Property, Public Property or Property Owner Association Property that is not exempt from Special Taxes under this section shall be subject

to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property, if such property does not prepay the Special Tax pursuant to Section H.1.

F. REVIEW/APPEAL COMMITTEE

The School District shall establish as part of the proceedings and administration of CFD No. 2002-1 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax, as to their Assessor's Parcel, is in error, may file a notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor Parcel. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2002-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities" means \$7,887,000 expressed in 2001 dollars, which shall increase by the Construction Inflation Index on July 1, 2002, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Business Director as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2002-1, or (ii) shall be determined by the School District concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes as levied under this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Business Director that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds issued and secured by the levy of Special Taxes, which will remain outstanding after the first interest and/or principal payment date following

the current Fiscal Year, excluding bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, Religious Property, Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Business Director with written notice of intent to prepay, and within 5 days of receipt of such notice, the Business Director shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2002-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the Business Director shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 60 days prior to any redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Total:	equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property or Undeveloped Property as though it was already designated as Developed Property based on the building permit issued for such Assessor's Parcel, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Religious Property, Public Property and/or Property Owner's Association Property to be prepaid, compute the Maximum Special Tax for such Assessor's Parcel.
2. Divide the Maximum Special Tax computed pursuant to paragraph 1 by the total estimated Maximum Special Taxes of the Developed Property Special Tax which could be charged, less any Assessor's Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “*Redemption Premium*”).
5. Compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to paragraph 2 by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the “*Future Facilities Amount*”).
7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
9. Determine the Special Taxes levied on the Assessor’s Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the Business Director reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the “*Defeasance Amount*”).
12. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption minus the non refundable deposit (the “*Administrative Fees and Expenses*”).
13. The reserve fund credit (the “*Reserve Fund Credit*”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Maximum Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amount computed pursuant to paragraph 13 (the “*Prepayment Amount*”).
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2002-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the Business Director shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F$$

These terms have the following meaning:

PP the partial prepayment

P_E = the Prepayment Amount calculated according to Section H.1

F = the percent by which the owner of the Assessor Parcel(s) is partially prepaying the Maximum Special Tax.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Business Director of (i) such owner's intent to partially prepay the Maximum Special Tax, (ii) the percentage by which the Maximum Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within 5 days of receipt of such notice, the Business Director shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2002-1 in calculating the proper amount of a partial prepayment. Within 15 days of receipt of such non-refundable deposit, the Business Director shall notify such owner of the partial prepayment amount of such Assessor's Parcel. Partial prepayment must be made not less than 60 days prior to any redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

With respect to any Assessor's Parcel that is partially prepaid, the Business Director shall (i) distribute the funds remitted to it according to Paragraph 15 of Section H.1, and (ii) indicate in the records of CFD No. 2002-1 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Maximum Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on all Assessor's Parcels of Taxable Property until the Fiscal Year 2037-38.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Moreno Valley Unified School District, expects to render their final approving opinion with respect to the Bonds in substantially the following form:

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

Re: \$7,790,000 Community Facilities District No. 2002-1 of the
Moreno Valley Unified School District
Series 2013 Special Tax Refunding Bonds
Final Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 2002-1 of the Moreno Valley Unified School District (“District”) of \$7,790,000 aggregate principal amount of bonds designated “Community Facilities District No. 2002-1 of the Moreno Valley Unified School District Series 2013 Special Tax Refunding Bonds” (“Bonds”). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 2012-13-62 adopted by the Board of Education of the Moreno Valley Unified School District (“School District”) acting in its capacity as the Legislative Body of the District on May 28, 2013, and the Fiscal Agent Agreement executed in connection therewith dated as of June 1, 2013, by and between the District and Wells Fargo Bank, N.A. (“Fiscal Agent Agreement”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds (“District Proceedings”). We have also examined certificates and representations of fact made by public officials and officers of the District and the School District, the Underwriter and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any matters that come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with the issuance thereof and we disclaim any obligation to update this letter.

As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Fiscal Agent Agreement, the Tax Certificate and other documents related to the District Proceedings, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and the Tax Certificate and other documents related to the District Proceedings are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to creditors' rights and remedies, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California ("State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

The Fiscal Agent Agreement, the Tax Certificate and other documents related to the District Proceedings refer to certain requirements and procedures which may be changed and certain actions which may be taken or omitted under the circumstances and subject to terms and conditions set forth in such documents. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made, or action is taken or omitted, upon the advice or approval of counsel other than ourselves.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The Bonds are limited obligations of the District payable solely from and secured by a pledge of the Net Taxes, and from other funds and accounts pursuant to the Fiscal Agent Agreement, and are not obligations of the School District, the State or any public agency thereof (other than the District). The District has the full right, power and authority to levy and pledge the Net Taxes to the Owners of the Bonds.

2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although it should be noted that with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Very truly yours,

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF RIVERSIDE AND CITY OF MORENO VALLEY

The following information concerning the City of Moreno Valley (the “City”), the County of Riverside (the “County”) and the State of California (the “State”) is included only for the purpose of supplying general information regarding the general area in which the District is located. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General

The School 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.

A relatively young city, Moreno Valley (the “City”) witnessed rapid growth in the 1980s and the first decade of the 21st century, making it the second-largest city in Riverside County by population. Located just north of Lake Perris, the City shares March Joint Air Reserve Base with both Riverside, California and the city of Perris. The City is an incorporated common law city and is governed by a council-manager government.

Population

The following table lists population estimates for the City, County and State.

POPULATION ESTIMATES City of Moreno Valley, County of Riverside and State of California 2001-2012

<u>Year⁽¹⁾</u>	<u>City of Moreno Valley</u>		<u>County of Riverside</u>		<u>State of California</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2000 ⁽²⁾	142,379	--	1,545,387	--	33,873,086	--
2001	144,312	1.4%	1,589,708	2.9%	34,256,789	1.1%
2002	147,533	2.2	1,655,291	4.1	34,725,516	1.4
2003	152,355	3.3	1,730,219	4.5	35,163,609	1.3
2004	158,634	4.1	1,814,485	4.9	35,570,847	1.2
2005	167,262	5.4	1,895,695	4.5	35,869,173	0.8
2006	176,830	5.7	1,975,913	4.2	36,116,202	0.7
2007	182,330	3.1	2,049,902	3.7	36,399,676	0.8
2008	185,513	1.7	2,102,741	2.6	36,704,375	0.8
2009	189,690	2.3	2,140,626	1.8	36,966,713	0.7
2010 ⁽²⁾	193,365	1.9	2,189,641	2.3	37,253,956	0.8
2011	194,451	0.6	2,205,731	0.7	37,427,946	0.5
2012	196,495	1.1	2,227,577	1.0	37,678,563	0.7

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2000, 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2001-09, 2011-12 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2003 through 2012.

PER CAPITAL PERSONAL INCOME⁽¹⁾ County of Riverside, State of California, and United States 2003-2012

<u>Year</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2003	\$26,528	\$34,975	\$32,295
2004	27,416	36,887	33,909
2005	28,563	38,731	35,452
2006	30,039	41,518	37,725
2007	30,720	43,211	39,506
2008	30,842	44,003	40,947
2009	28,865	41,034	38,637
2010	29,029	41,893	39,791
2011	29,927	43,647	41,560
2012	N/A	44,980	42,693

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

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

Retail Trade

The following tables present a six-year history of taxable sales in the County and City.

**TAXABLE SALES
County of Riverside
2006-2010
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
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
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**TAXABLE SALES
City of Moreno Valley
2006-2010
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
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
2010	1,652	994,464	2,154	1,067,546
2011	1,693	1,092,691	2,198	1,172,223

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

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. The following table presents the Annual Average Labor Force for the City, County and State from 2007 to 2012.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES City of Moreno Valley, County of Riverside and State of California 2007-2012

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2007	City of Moreno Valley	85,700	79,700	6,100	7.1%
	Riverside County	903,400	848,900	54,500	6.0
	State of California	17,921,000	16,960,700	960,300	5.4
2008	City of Moreno Valley	87,000	78,400	8,600	9.9%
	Riverside County	912,900	835,200	77,800	8.5
	State of California	18,191,000	16,883,400	1,307,600	7.2
2009	City of Moreno Valley	88,200	74,500	13,600	15.5%
	Riverside County	917,000	794,300	122,700	13.4
	California	18,204,200	16,141,500	2,062,700	11.3
2010	City of Moreno Valley	90,400	75,300	15,100	16.7%
	Riverside County	938,400	802,300	136,200	14.5
	State of California	18,176,200	15,916,300	2,259,900	12.4
2011	City of Moreno Valley	90,400	76,100	14,300	15.9%
	Riverside County	939,600	810,400	129,200	13.7
	State of California	18,404,500	16,237,300	2,167,200	11.8
2012	City of Moreno Valley	90,600	77,800	12,800	14.2%
	Riverside County	944,500	828,800	115,600	12.2
	State of California	18,494,900	16,560,300	1,934,500	10.5

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2012 Benchmark.

The following table summarizes the annual average industry employment statistics for the County between 2007 and 2011.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Riverside County
2007-2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Farm	13,000	13,100	12,400	12,400	12,800
Mining, Logging and Construction	700	500	500	400	400
Manufacturing	54,400	48,400	39,000	37,900	39,000
Wholesale Trade	21,100	20,400	18,700	19,100	19,900
Retail Trade	88,000	84,900	78,800	78,500	79,400
Transportation, Warehousing and Utilities	20,900	21,200	19,700	19,400	20,300
Information	7,800	7,700	8,500	10,200	9,600
Financial Activities	23,000	22,300	20,700	19,300	18,300
Professional and Business Services	63,000	58,000	53,600	50,300	52,700
Education and Health Services	56,900	58,100	57,900	58,000	61,600
Leisure and Hospitality	73,700	72,800	68,700	67,700	69,300
Other Services	20,100	19,400	18,100	18,300	19,000
Government	<u>108,800</u>	<u>110,600</u>	<u>109,300</u>	<u>109,200</u>	<u>112,200</u>
Total All Industries	620,200	592,000	546,300	536,000	548,800

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

Largest Employers

The following tables list the largest employers in the County and City as of June 30, 2012.

LARGEST EMPLOYERS
County of Riverside
2012

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. County of Riverside	County Government	19,150	2.10%
2. March Air Reserve Base	Military	9,000	2.10
3. Stater Brothers Market	Grocery retail	6,900	2.10
4. University of California at Riverside	Higher education and research university	5,790	2.10
5. WalMart	General retail	5,360	2.10
6. Corona-Norco Unified School District	Primary & Secondary Education	4,686	0.52
7. Kaiser Permanente Riverside Med. Center	Hospital and healthcare	4,000	0.52
8. Pechanga Resort & Casino	Gaming casino and recreation	4,000	0.52
9. Riverside Unified School District	Primary & Secondary Education	3,796	0.52
10. Moreno Valley Unified School District	Primary & Secondary Education	3,500	0.52

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

PRINCIPAL EMPLOYERS
City of Moreno Valley
2012

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. March Air Reserve Base	Military	8,600	26.12%
2. Moreno Valley Unified School District	Primary and secondary education	3,366	10.22
3. Riverside County Regional Medical Ctr.	Hospital and healthcare	2,600	7.90
4. Ross Dress for Less/DD's Discounts	Retail distribution	1,630	4.95
5. Moreno Valley Mall (excludes major tenants)	Retail	1,365	4.15
6. Kaiser Permanente Community Hospital	Hospital and healthcare	944	2.87
7. City of Moreno Valley	Local government	771	2.34
8. Walgreens Co.	Retail distribution	685	2.08
9. Val Verde Unified School District	Primary and secondary education	674	2.05
10. Sketchers USA	Retail distribution	660	1.82

Source: City of Moreno Valley 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

Building Activity

Provided below are the building permits and valuations for the County and City from 2006 to 2010.

BUILDING PERMIT VALUATIONS

County of Riverside
2008-2012

(Dollars in Thousands)

Valuation (\$000):	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	\$1,576,984	\$1,053,694	\$1,079,637	\$873,411	\$885,473
Non-residential	<u>1,041,813</u>	<u>376,819</u>	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>
Total*	\$2,618,797	\$1,430,512	\$1,619,016	\$1,432,809	\$1,411,842
Residential Units:					
Single family	3,815	3,431	91	2,659	2,981
Multiple family	<u>2,104</u>	<u>759</u>	<u>70</u>	<u>1,061</u>	<u>560</u>
Total	5,919	4,190	161	3,720	3,541

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Moreno Valley
2008-2012
(Dollars in Thousands)

Valuation (\$000):	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	39,434	31,632	\$36,189	\$8,224	\$17,454
Non-residential	<u>80,938</u>	<u>13,422</u>	<u>73,901</u>	<u>77,047</u>	<u>7,809</u>
Total*	120,372	45,053	\$110,089	\$87,282	25,453
Residential Units:					
Single family	116	114	91	23	1
Multiple family	<u>84</u>	<u>0</u>	<u>70</u>	<u>0</u>	<u>82</u>
Total	200	114	161	23	83

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

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APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

COMMUNITY FACILITIES DISTRICT NO. 2002-1
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS

The following is a brief summary of certain provisions of the Fiscal Agent Agreement relating to the above-referenced Series 2013 Special Tax Refunding Bonds. This summary is not intended to be definitive and is qualified in its entirety by reference to such Fiscal Agent Agreement for the complete terms of the Fiscal Agent Agreement. Copies of the Fiscal Agent Agreement are available upon request from the Moreno Valley Unified School District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary. All capitalized terms not defined in the Fiscal Agent Agreement or elsewhere in the Official Statement have the meaning(s) set forth in the Fiscal Agent Agreement.

“2002 Indenture” means the Indenture for the Prior Bonds as defined in the Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311, *et seq.*, of the Government Code of the State and any successor provisions thereto.

“Administrative Expense Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Administrative Expense Requirement” means the amount of \$22,280 as set forth in the Fiscal Agent Agreement.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Bonds and the refunding of the Prior Bonds, including the fees and expenses of the Fiscal Agent and any persons, parties, consultants or attorneys employed pursuant to the Fiscal Agent Agreement, costs and legal expenses of foreclosure actions undertaken pursuant to the terms of the Fiscal Agent Agreement to the extent not recovered pursuant to statutory authorization, costs otherwise incurred by the District in order to carry out the authorized purposes of the Bonds, including statutory disclosure and reporting requirements for the District, rebate compliance and “Administrative Expenses” as defined in the Rate and Method.

“Annual Debt Service” means, with respect to the Outstanding Bonds, for each Bond Year, the sum of (a) the interest payable on such Bonds in such Bond Year, assuming the Bonds are retired as scheduled, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Authorized Investments” means, subject to the Fiscal Agent Agreement, any of the following investments, if and to the extent the same are at the time legal for investment of the School District's funds:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, and which have a maximum term to maturity not to exceed three years.

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System.

(d) Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by Moody’s or Standard & Poor’s.

(e) Registered bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, where the interest on such local agency obligation is exempt from federal and State income taxes and which are rated in one of the two highest short-term or long-term rating categories by Moody’s or Standard & Poor’s.

(f) Deposit accounts, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, which may include the Fiscal Agent or its affiliates, or a state or federal savings and loan association; provided, that the certificates of deposit shall be one or more of the following:

- (1) Continuously and fully insured by the Federal Deposit Insurance Corporation.
- (2) Continuously and fully secured by securities described in clause (a) or (b) above which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than 102% of the principal amount of the certificates of deposit.

(g) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and Standard & Poor’s, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total

assets in excess of \$500,000,000 and that have an “A” or higher rating for the issuer’s debentures, other than commercial paper, by Moody’s and Standard & Poor’s, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed 20% of the invested proceeds of the Bonds.

(h) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York the long-term debt of which is rated at least “AA” by Standard & Poor’s or “Aa2” by Moody’s, provided that all of the following conditions are satisfied:

- (1) (A) the agreement is secured by any one or more of the securities described in clause (a) above of this definition of Authorized Investments (“Underlying Securities”);
 - (B) the Underlying Securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least \$100,000,000 and which is independent of the issuer of the repurchase agreement (“Holder of Collateral”) and the Underlying Securities have been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books); and
 - (C) the Underlying Securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103% of the amount so invested and at such levels and additional conditions not otherwise in conflict with the terms above as would be acceptable to Standard & Poor’s or Moody’s so as to maintain, respectively, an “AA” or “Aa2” rating in an “AA” or “Aa2” rated structured financing (with a market value approach).
- (2) The repurchase agreement shall provide that if during its term the provider’s rating by Moody’s and Standard & Poor’s is withdrawn or suspended or falls below “AA-” by Standard & Poor’s or “Aa3” by Moody’s, as appropriate, the provider must within 10 days of such rating withdrawal, suspension or reduction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

(i) Any investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution, the long-term unsecured obligations of which are rated “AA” or “Aa2” or better by Standard & Poor’s or Moody’s, respectively, at the time of initial investment (“Provider”). The investment agreement shall be subject to a downgrade provision with at least the following requirements:

- (1) Within five Business Days after the Provider’s long-term unsecured credit rating has been reduced below “AA-” by Standard & Poor’s or below “Aa3” by Moody’s (these events are called “Rating Downgrades”), the Provider shall give notice to the Fiscal Agent and the District and, within the five-day period, and for as long as the Rating Downgrade is in effect, shall deliver or transfer in the name of the District to the Fiscal Agent or a third party acceptable to the District acting solely as agent therefore (Holder of Collateral) (other than by means of entries on the Provider’s books) federal securities allowed as investments under clause (a) above with aggregate

current market value equal to at least 105% of the principal amount of the investment agreement invested with the Provider at that time, and shall deliver additional such federal securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly.

- (2) If the Provider's long-term unsecured credit rating is withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or Standard & Poor's from the practice of rating that debt, or reduced below "Aa3" by Moody's or below "AA-" by Standard & Poor's, the Provider shall give notice of the downgrade to the District and the Fiscal Agent, the Provider shall within five Business Days of such withdrawal, suspension or reduction, repay the investment agreement, with accrued but unpaid interest thereon to the date of such payment, and terminate such agreement.

(j) A taxable or tax exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and either issued, guaranteed or collateralized as to payment of principal and interest by the full faith and credit of the United States of America or rated in one of the three highest categories by Moody's or Standard & Poor's. Such money market funds may include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State to the extent the Fiscal Agent may deposit and withdraw funds directly.

"Authorized Representative(s)" or **"District Representative(s)"** means an officer or employee of the School District authorized to provide written directives on behalf of the District, which shall include the School District's Superintendent, Chief Business Official and such other persons as shall be designated in writing by the Superintendent or the Chief Business Official.

"Board" means the Board of Education of the Moreno Valley Unified School District.

"Bond Counsel" means a firm of nationally recognized bond attorneys, initially Bowie, Arneson, Wiles & Giannone.

"Bond Fund" means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

"Bond Register" means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

"Bond Year" means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Delivery Date to September 1, 2013, both dates inclusive.

"Bondowner(s)" or **"Owner(s)"** means the person or persons in whose name or names any Bond is registered.

"Bonds" means the \$7,790,000 Community Facilities District No. 2002-1 of the Moreno Valley Unified School District Series 2013 Special Tax Refunding Bonds.

“Business Day” means a day which is not a Saturday or a Sunday or a day on which banks in Los Angeles, California, and New York, New York, are not required or permitted to be closed.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Community Facilities District Policy” means that policy adopted by the School District on, January 15, 2002, pursuant to the Act, as such policy may be amended from time to time.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement provided by the School District on behalf of the District, dated the Delivery Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, cost of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Escrow Agent and of the Fiscal Agent including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the issuance of the Bonds, legal fees and charges, including Bond Counsel and Disclosure Counsel, verification agent’s fees, special tax consultant's fees, appraiser's fees, market absorption consultant's fees, financial consultants' fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Dated Date” or **“Delivery Date”** means the date the Bonds are issued and delivered.

“Dissemination Agent” means Special District Financing & Administration LLC, or any successor dissemination agent appointed by the District pursuant to the District Continuing Disclosure Agreement.

“District” means Community Facilities District No. 2002-1 of the Moreno Valley Unified School District.

“District Continuing Disclosure Agreement” shall mean that certain Community Facilities District Continuing Disclosure Agreement provided by the School District on behalf of the District, dated as of June 1, 2013, as originally executed and as it may be amended from time to time in accordance with the terms thereof, with respect to the Bonds.

“DTC” means The Depository Trust Company, 55 Water Street, 25th Floor, New York, New York, 10041-0099, Attn: Call Notification Department, Fax (212) 855-5004.

“Election” has the meaning set forth in the Fiscal Agent Agreement.

“Escrow Agent” means Wells Fargo Bank, N.A., and any successor thereto duly appointed and serving pursuant to the terms of the Escrow Agreement.

“Escrow Agreement” means that agreement providing for the redemption and defeasance of the Prior Bonds, dated as of the Delivery Date, executed by and between the District and Wells Fargo Bank, N.A., as Escrow Agent.

“Escrow Fund” means that certain escrow fund established pursuant to the Escrow Agreement.

“Excess Investment Earnings” shall mean an amount equal to the sum of:

(i) the excess of

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds are invested (other than amounts attributable to an excess described in this subparagraph (i)), over

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the Bonds,
plus

(ii) any income attributable to the excess described in paragraph (i).

In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and annual debt service on the Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of Annual Debt Service on the Bonds, as well as amounts earned on said earnings. The District intends that the Bond Fund, including the Principal Account and the Interest Account established therein, the Special Tax Fund and the Redemption Fund will be the type of funds described in the preceding sentence. The Fiscal Agent shall have no responsibility to determine Excess Investment Earnings and may rely on the calculations provided by the District or any arbitrage consultant retained by the District.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for funds held by the Fiscal Agent:

(i) direct general obligations of the United States of America (including State and Local Government Series and obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration or its successor agency, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Fiscal Agent” means Wells Fargo Bank, N.A., a national banking association, and its successors and assigns or any and other fiscal agent which may be appointed pursuant to the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, as amended or supplemented pursuant to the terms of the Fiscal Agent Agreement.

“Fiscal Year” means the period from July 1 to June 30 in any year.

“Gross Proceeds” means any proceeds of the Bonds and any funds (other than proceeds of the Bonds) that are part of a reserve or replacement fund for the Bonds within the meaning of Section 1.148-1(b) of the Regulations.

“Gross Taxes” means the amount of all Special Taxes collected within the District and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes.

“Independent Financial Consultant” means a consultant or firm of such consultants generally recognized to be qualified in the field of implementation and administration of community facilities districts, or the financial consulting field, appointed and paid by the District or the School District and who, or each of whom:

- (1) is independent of the District and the School District or any of the property owners within the District;
- (2) does not have any substantial interest, direct or indirect, with the District, School District, or any of the property owners within the District; and
- (3) is not an officer or employee of the District or the School District, or an owner, officer or employee of any of the property owners within the District, but who may be regularly retained to make annual or other reports to the District or the School District.

“Interest Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Interest Payment Date” means March 1 and September 1 of each year during which Bonds are Outstanding, commencing March 1, 2014.

“Legislative Body” means the Board of Education, acting as the Legislative Body of the District.

“Mandatory Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Term Bonds in accordance with the schedule set forth in the Fiscal Agent Agreement and any subsequent schedule set forth in any Supplement.

“Maximum Annual Debt Service” means the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds payable in such Bond Year whether at maturity or by redemption together with a premium thereon, if any premium is payable; and
- (2) the interest payable on the aggregate principal amount of Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled.

“Moody's” means Moody's Investors Services and its successors.

“National Information Service” means the Electronic Municipal Market Access (EMMA) system of the Municipal Securities Rulemaking Board (MSRB), 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, or such other electronic system designated by the MSRB or the Securities and Exchange Commission, or as may be designated by the District in a certificate delivered to the Fiscal Agent.

“Net Taxes” means the amount of all Gross Taxes minus an amount equal to the Administrative Expense Requirement, as further set forth in the Fiscal Agent Agreement.

“Nominee” means the nominee of DTC, which may be Cede & Co., as determined from time to time pursuant to the Fiscal Agent Agreement.

“Nonpurpose Investments” means any security, investment, obligation, annuity, investment-type property, specified private activity bond or any other type of investment property defined in Section 148 of the Code in which Gross Proceeds are invested (other than tax-exempt securities which are described in Section 103(a) of the Code) and which is not acquired to carry out the governmental purpose of the Bonds.

“Optional Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Ordinance” means Ordinance No. 2002-1 adopted by the Board on March 12, 2002.

“Outstanding” means all Bonds theretofore issued by the District, except:

- (1) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement; and
- (3) Bonds paid and discharged pursuant to the Fiscal Agent Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Prepaid Special Taxes” means all Special Taxes prepaid to the District pursuant to the Formation Resolution during the term of the Fiscal Agent Agreement, less related Administrative Expenses.

“Prepayment Account” means the account of that name within the Special Tax Fund established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Principal Account” means the account of that name within the Bond Fund established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Principal Corporate Trust Office” means the corporate trust office of the Fiscal Agent, which, at the date of execution of the Fiscal Agent Agreement, is located at 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90071, or such other office(s) as the Fiscal Agent may designate from time to time; provided, however that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Prior Bonds” means the “\$8,850,000 Community Facilities District No. 2002-1 of the Moreno Valley Unified School District 2002 Special Tax Bonds” currently outstanding in the principal amount of \$7,545,000.

“Purchase Price” for the purpose of computation of the Yield of the Bonds, has the same meaning as the term “issue price” in Sections 1273 (b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the

capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser. The term “Purchase Price,” for the purpose of computation of the Yield of Nonpurpose Investments, means the “fair market value” of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property (as defined in Section 148(b)(2) and (3) of the Code) constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds, as the case may be.

“**Rate and Method**” means the Rate and Method of Apportionment for Community Facilities District No. 2002-1 of Moreno Valley Unified School District, as set forth in the Ordinance, as approved pursuant to the Act and as such may be amended or interpreted from time to time.

“**Rating Agencies**” means S&P and Moody's.

“**Rebate Fund**” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“**Record Date**” means the 15th day of the calendar month preceding an Interest Payment Date whether or not such day is a Business Day.

“**Redemption Fund**” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“**Regulations**” means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

“**Representation Letter**” means such letter in the form prescribed by the Securities Depository in order to qualify for the Securities Depository's book-entry system.

“**Reserve Fund**” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“**Reserve Requirement**” means with respect to the Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) Maximum Annual Debt Service, or (iii) 125% of average Annual Debt Service on the Bonds.

“**Resolution of Issuance**” means Resolution No. 2012-13-62 of the School District dated May 28, 2013, authorizing the issuance of the Bonds and approving the Fiscal Agent Agreement.

“**Responsible Officer**” of the Fiscal Agent means and includes the president, every senior vice president, every vice president, every assistant vice president, every trust officer or any other Authorized Representative of the Fiscal Agent at its Principal Corporate Trust Office.

“**School District**” means the Moreno Valley Unified School District.

“**School Facilities**” means the facilities of the School District authorized to be constructed, acquired and financed under the Formation Resolution and Bond Authorization Resolution.

“**Securities Depository(ies)**” means, initially, DTC, and in accordance with the current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in a certificate delivered to the Fiscal Agent.

“Sinking Fund Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Special Tax Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Special Taxes” means the special taxes as defined in the Rate and Method and levied by the Legislative Body within the District pursuant to the Act, the Formation Resolution, the Election and the Ordinance.

“Standard & Poor's” or **“S&P”** means Standard & Poor's Ratings Group and its successors.

“State” means the State of California.

“Supplement” means any supplemental agreement amending or supplementing the Fiscal Agent Agreement.

“Surplus School Facilities Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Tax Certificate” means the certificate of that name to be executed by an authorized representative of the District on the Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Term Bond(s)” means the Bonds maturing on September 1, 2032.

“Underwriter” means Piper Jaffray & Company.

“Yield” means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

ISSUANCE OF THE BONDS

The Bonds are issued pursuant to the Act, the Resolution of Issuance and the Fiscal Agent Agreement in the amounts and maturities set forth in the Fiscal Agent Agreement. Under and pursuant to the Act, the Bonds are being issued for the purposes of refunding the currently outstanding Prior Bonds, funding the Reserve Requirement and paying Costs of Issuance. The terms of the Bonds, and a description of the Bonds, including registration and transfer matters, are set forth in the Fiscal Agent Agreement (See “INTRODUCTION”).

Limited Obligation

The Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and amounts in certain funds and accounts created pursuant to the Fiscal Agent Agreement as specified therein. The Net Taxes are pledged for the payment of the Bonds pursuant to the terms of the Fiscal Agent Agreement.

The Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or interest thereon, and no Owner of the Bonds may

compel the exercise of the taxing power by the District or the School District or the forfeiture of any of their property for the payment thereof. The principal of and interest on the Bonds and premiums upon the redemption of any thereof are not a debt of the District or the School District, the State or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Pursuant to the Act and the Fiscal Agent Agreement, the Bonds shall be equally payable from the Net Taxes without priority for number, date of the Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Taxes and amounts held in certain funds and accounts created under the Fiscal Agent Agreement as specified therein. All of the Net Taxes are hereby pledged for the payment of the Bonds, and such Net Taxes and any interest earned on the Net Taxes shall constitute a trust fund for the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon are unpaid the Net Taxes and interest thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement, and shall be held in trust for the benefit of the Bondowners and shall be applied pursuant to the Fiscal Agent Agreement, or any Supplement to the Fiscal Agent Agreement as modified pursuant to provisions therein. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Surplus School Facilities Fund and the Rebate Fund shall no longer be considered to be pledged to the Bonds and the Administrative Expense Fund, the Surplus School Facilities Fund and the Rebate Fund shall not be construed as trust funds held for the benefit of the Bondowners.

In the event that the Fiscal Agent lacks sufficient amounts to make timely payment of principal and interest and premium upon redemption, if any, on the Bonds when due, such principal of and interest and premium on the Bonds shall be paid from available amounts held under the Fiscal Agent Agreement by the Fiscal Agent in the Bond Fund, Reserve Fund, Redemption Fund, and after disbursement thereunder, the Special Tax Fund (including all accounts of the foregoing funds) (but not including those amounts deposited in the Surplus School Facilities Fund, Administrative Expense Fund and the Rebate Fund) in accordance with such terms without preference or priority of interest over principal or principal over interest, or of any installment of principal or interest over any other installment of principal or interest, ratably to the aggregate amount of such principal and interest.

Nothing in the Fiscal Agent Agreement or any Supplement shall preclude the redemption of any Bonds subject to call and redemption prior to maturity, and payment of the Bonds from proceeds of refunding bonds issued under the Act as the same now exists or is hereafter amended, or under any other law of the State (See "SECURITY FOR THE BONDS – General").

Funds and Accounts

The Fiscal Agent Agreement specifies funds and accounts to be maintained by the Fiscal Agent, as follows:

Special Tax Fund - The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in trust in the Special Tax Fund for the benefit of the Bondowners (exclusive of the Administrative Expense Requirement as set forth below) and shall, exclusive of the Prepaid Special Taxes, be transferred from the Special Tax Fund in the following order of priority: (a) to the Administrative Expense Fund, an amount specified in writing by the District, up to the Administrative Expense Requirement; (b) to the

Interest Account of the Bond Fund an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Monies in the Interest Account shall be used for the payment of interest on the Bonds as the same become due; (c) to the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year; (d) to the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds during the current Bond Year; (e) to the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement; (f) provided all the amounts due in the current Bond Year are funded under (b), (c), (d) and (e) above, to the extent there are additional Administrative Expenses to the Administrative Expense Fund in the amount specified in writing by the District required to bring the balance therein to the amount needed pay such Administrative Expenses; (g) any remaining Special Taxes and other amounts constituting Gross Taxes shall remain in the Special Tax Fund, subject to the provisions of (h), below; and (h) any remaining Special Taxes and other amounts constituting Gross Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. Any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund to the Reserve Requirement, or to pay current or pending Administrative Expenses as provided for in the Fiscal Agent Agreement, shall be deposited in the Surplus School Facilities Fund and used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon or pledge hereunder; provided, any funds which are required to cure any delinquency described above shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, monies in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose under the District proceedings. (See "SECURITY FOR THE BONDS – Special Tax Fund").

Prepayment Account of the Special Tax Fund - Prepaid Special Taxes collected by the District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Bonds on the next date for which notice can be given in accordance with the special mandatory redemption provisions as set forth in the Fiscal Agent Agreement.

Administrative Expense Fund - Upon receipt of Gross Taxes and the written direction of the District, the Fiscal Agent shall first transfer from the Special Tax Fund to the Administrative Expense Fund the amount that the District has determined, and of which the District has notified the Fiscal Agent in writing prior to such transfer date, will be necessary to bring the balance in the Administrative Expense Fund to equal the amount specified by the District as necessary to meet Administrative Expenses until the collection of Special Taxes in the next Fiscal Year, subject to the maximum limit of the Administrative Expense Requirement. Additional Administrative Expenses may be funded from additional deposits to the Administrative Expense Fund in accordance with the Fiscal Agent Agreement.

Bond Fund - The Bond Fund (in which there is established an Interest Account and a Principal Account) is used to disperse payments of principal and interest to the Bondowners on each respective Interest Payment Date. Monies in the Interest Account are allocated to the payment of interest due on each Interest Payment Date and monies in the Principal Account are allocated to the repayment of principal on the Bonds on the corresponding Interest Payment Date (See "SECURITY FOR THE BONDS – Bond Fund").

Reserve Fund - There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Bonds,

the Reserve Requirement shall in connection therewith be re-determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such re-determined Reserve Requirement shall be utilized as set forth in the Fiscal Agent Agreement. If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original principal of the Bonds, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds as provided in the Fiscal Agent Agreement.

Monies in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest on Bonds when due to the extent that monies in the Interest Account and the Principal Account of the Bond Fund or monies in the Sinking Fund Redemption Account are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District, (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Bonds in the final Bond Year, and (v) application to the defeasance of Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, monies necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Monies in the Reserve Fund in excess of the Reserve Requirement (exclusive of Excess Investment Earnings) shall be withdrawn on each March 1 and transferred to the Interest Account of the Bond Fund, and any remaining excess shall be transferred to the Principal Account of the Bond Fund, or to the Sinking Fund Redemption Account of the Redemption Fund to the extent required to make any principal payment or Mandatory Sinking Payments on the next following September 1. The Fiscal Agent shall transfer Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the Fiscal Agent Agreement. Monies in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. (See "SECURITY FOR THE BONDS – Reserve Fund").

Redemption Fund - The Redemption Fund includes an Optional Redemption Account, Sinking Fund Redemption Account and Mandatory Redemption Account. Each of the redemption accounts is used for the temporary retention of monies allocated to the redemption of Bonds corresponding to that account. Monies in each such account shall be applied solely for such redemption purpose (See "THE BONDS - Redemption").

Rebate Fund - The Rebate Fund is established by the Fiscal Agent Agreement for the receipt and payment of arbitrage earnings to the United States government as required under the terms of the Fiscal Agent Agreement and the Tax Certificate.

Surplus School Facilities Fund - Pursuant to the Fiscal Agent Agreement, monies on deposit in the Surplus School Facilities Fund are not pledged for the payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondowner's lien. Monies on deposit in the Surplus School Facilities Fund may be used by the District, at its option, for acquisition and/or construction of the School Facilities; to make deposits to the Rebate Fund; for the optional redemption of any of the Bonds pursuant to the Fiscal Agent Agreement; or for payment of principal of, including Mandatory Sinking Payments, or interest on the Bonds.

Investments - The Fiscal Agent shall maintain separate books and records regarding the investment of monies in any of the funds, accounts or subaccounts established pursuant to the Fiscal Agent Agreement. Authorized Investments shall be deemed at all times to be a part of such funds, accounts or subaccounts. Any loss resulting from such Authorized Investments shall be charged to such funds, accounts or subaccount. Subject to limitations set forth as to each of the funds or accounts set forth in the Fiscal Agent Agreement, the limitations as to maturities set forth in the Fiscal Agent Agreement and any additional limitations or requirements established by the District and consistent with the foregoing, the Fiscal Agent shall invest the amounts on deposit in all funds, accounts or subaccount in Authorized Investments as directed in writing by the District, subject to the restrictions set forth in the Fiscal Agent Agreement.

Redemption of Bonds

The Bonds are subject to optional redemption, mandatory sinking fund redemption, and special mandatory redemption from Prepaid Special Taxes in accordance with the terms of the Fiscal Agent Agreement. (See "THE BONDS - Redemption").

Covenants

So long as any of the Bonds issued pursuant to the Fiscal Agent Agreement are Outstanding and unpaid, the District makes the following covenants with the Owners under the provisions of the Act and the Fiscal Agent Agreement and any Supplement (to be performed by the District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds; provided, however, that said covenants do not require the District to expend any funds or monies other than the Net Taxes or any monies deposited in the funds and accounts created under the Fiscal Agent Agreement and legally available therefor.

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Bond issued under the Fiscal Agent Agreement, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Bonds and in accordance with the Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and any Supplement and of the Bonds issued thereunder, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 2. Levy and Collection of Special Taxes. Subject to the maximum Special Tax rates, the District will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, including without limitation, the enforcement of delinquent Special Taxes. The District shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

On or before each June 1, commencing June 1, 2014, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement as well as Fiscal Agent fees coming due during the next Fiscal Year. The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the Riverside County Treasurer-Tax Collector or other appropriate official of the County of Riverside to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The District shall retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, commencing Fiscal Year 2013-2014, in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Riverside County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. The next such levy shall occur in Fiscal Year 2013-2014. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District shall prepare or cause to be prepared, and shall transmit to the Riverside County Treasurer-Tax Collector, such data as the Riverside County Treasurer-Tax Collector requires to include the levy of the Special Taxes on the next secured tax roll.

The District shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

In order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and July 1 in every year (each a "reconciliation date") commencing July 1, 2013, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes theretofore reported by the County as paid and received. No later than 45 days after the reconciliation date, commencing on the first reconciliation date on July 1, 2013, the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties thereunder, shall be an Administrative Expense.

Covenant 3. Commence Foreclosure Proceedings.

Not later than August 1 of each Fiscal Year, the District will compare the amount of Special Taxes theretofore levied in the District in the prior Fiscal Year to the amount of Special Taxes theretofore reported by the County as paid and received, and:

- (A) Individual Delinquencies. If the District determines that (i) any single parcel is subject to the Special Tax delinquency in the aggregate amount of \$5,000 or more or (ii) any owner owns one or more parcels subject to a Special Tax delinquency in an aggregate amount of \$5,000 or more, then the District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the District within 90 days of such determination to the extent permissible under applicable law.
- (B) Aggregate Delinquencies If the District determines that the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under paragraph (A) above) exceeds 5% of the total Special Taxes

due and payable for the prior Fiscal Year, the District shall notify or cause to be notified all property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the District against each parcel of land within the District with a Special Tax delinquency within 90 days following such determination to the extent permissible under applicable law.

- (C) Limiting Provision. Notwithstanding the foregoing, however, the District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under subsection (B), above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that Reserve Fund is funded at the Reserve Requirement.

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien created in the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement and as to bonds issued to refund the Bonds.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes shall be approved by the District which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Special Taxes in each Fiscal Year at least equal to 110% of Annual Debt Service, plus the Administrative Expenses.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, it will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Covenant 7. Reserved.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Bonds, in which complete and correct entries shall be made of all transactions relating to the School Facilities, the levy of the Special Tax and the deposits to the Special Tax Fund including the Prepayment Account. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than ten percent of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District hereby covenants and represents that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. The District hereby covenants, without limiting the generality of Covenant 9, that:

(a) the District will make no use of the proceeds of the Bonds or the School Facilities or the other public facilities refinanced or financed with the proceeds of the Bonds, which at any time will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Regulations;

(b) the District will ensure that the payment of principal and interest on the Bonds shall not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and no portion of the monies contained in any of the funds or accounts created in the Fiscal Agent Agreement shall be (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof); (ii) invested directly or indirectly in deposits or accounts insured by the Federal Deposit Insurance Corporation, National Credit Union Administration or any other similar federally chartered corporation; or (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); except (a) investment of amounts held in the Reserve Fund, or other reserve funds satisfying Section 148(d) of the Code; (b) investment of amounts held in the Special Tax Fund, Bond Fund and other bona fide debt service funds; (c) for investments in obligations issued by the United States Treasury; (d) for investments in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation; or, (e) investments permitted under Regulations issued pursuant to Section 149(b)(3)(B) of the Code;

(c) the District will ensure that no portion of the monies contained in any of the funds or accounts created in the Fiscal Agent Agreement shall be used so as to cause any of the Bonds to meet the “private activity bond” tests of Section 141 of the Code and any Regulations issued thereunder;

(d) the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and the applicable Regulations and the Fiscal Agent Agreement and any further documents executed in connection with the Bonds. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined above the amounts required to be so paid by the Fiscal Agent Agreement and further documents executed in connection with the Bonds, the Code and the Regulations;

(e) the District (i) shall neither invest Gross Proceeds nor cause Gross Proceeds to be invested in Nonpurpose Investments if the Yield on such Nonpurpose Investments would be less than the Yield that would have resulted in an arm’s length transaction; (ii) will not sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Investments if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm’s length transaction; and (iii) shall keep a detailed accounting of all transactions contemplated under the Fiscal Agent Agreement or in any way relating to the receipt or disbursement of any of the Gross Proceeds of the Bonds for a period of six years after the later of the date of payment of all Excess Investment Earnings to the United States or the date the District disburses the last of the Gross Proceeds of the Bonds; and

(f) notwithstanding any provision of the Fiscal Agent Agreement, if the District shall provide to the Fiscal Agent an opinion of Bond Counsel that any specified action required under the Fiscal Agent Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the Fiscal Agent Agreement, and the covenants thereunder shall be deemed to be modified to that extent notwithstanding the provisions of the Fiscal Agent Agreement.

Covenant 11. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry

out the intention or to facilitate the obligations and covenants under the Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action the Fiscal Agent Agreement or related documents require an opinion of Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in the Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Tender of Bonds. The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Covenant 14. Additional Bonds or Obligations for Refunding Purposes Only. The District shall not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes except: (i) bonds issued to fully or partially refund the Outstanding Bonds; or (ii) subordinate bonds, notes or other similar evidences of indebtedness.

Covenant 15. Annual Reports.

(a) **Annual Reports to the California Debt and Investment Advisory Commission.** Not later than October 30 of each year, commencing October 30, 2013, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Account of Fund to pay principal or interest on the Bonds, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of Covenant 15 may be amended from time to time, without action by the District or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District's obligations under any continuing disclosure documentation relating to the Bonds.

(d) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any person or party for any inadvertent error in reporting the information contained in Covenant 15. Notwithstanding any other provision of the Fiscal Agent

Agreement, failure of the District to comply with Covenant 15 shall not be considered an event of default under the Fiscal Agent Agreement, and the sale remedy, in the event of any failure of the District to comply with the terms therein shall be an action to compel performance thereof.

Continuing Disclosure Covenant. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the District Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with its obligations under the District Continuing Disclosure Agreement shall not be considered an event of default under the Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the District Continuing Disclosure Agreement, shall be an action to compel performance thereof. The Fiscal Agent, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds and upon being provided with indemnity reasonably satisfactory to the Fiscal Agent, shall, or any Bondowner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this covenant. For purposes of the Continuing Disclosure Covenant, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Bonds for federal income tax purposes.

Amendment to Fiscal Agent Agreement

The District may from time to time, and at any time, without notice to or consent of any of the Owners, adopt Supplements for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision of the Fiscal Agent Agreement which may be inconsistent with any other provision in the Fiscal Agent Agreement, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

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

(c) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners including, but not limited to, providing for the rating or insuring of the Bonds.

Exclusive of amendments supplemental to the Fiscal Agent Agreement described above, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental to the Fiscal Agent Agreement as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Fiscal Agent Agreement; provided, however, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, (c) a preference or priority of any Bonds over any other Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Bonds then Outstanding.

Fiscal Agent

The Fiscal Agent is appointed and takes authorized actions under the terms of the Fiscal Agent Agreement. The initial Fiscal Agent may be removed or replaced by the District upon 30 days' prior written notice (except during the continuance of an event of default, as further discussed below) or may, upon 60 days' prior written notice, resign in favor of a successor Fiscal Agent. The Fiscal Agent Agreement provides for certain minimum qualifications of the Fiscal Agent and provides for notice and procedures in the event a successor Fiscal Agent is required or appointed.

The duties of the Fiscal Agent are specified within the Fiscal Agent Agreement and include mailing interest payments to the Owners, selecting Bonds for redemption pursuant to the terms of the Fiscal Agent Agreement, giving notice of redemption and meetings of the Owners, maintaining the Bond Register and maintaining and administering the funds and accounts established pursuant to the Fiscal Agent Agreement. The Fiscal Agent also performs all other acts authorized or directed of the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

The Fiscal Agent Agreement provides that the recitals of fact and all promises, covenants and agreements contained therein and in the Bonds are to be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or the Bonds. The Fiscal Agent Agreement provides for certain protections from liability of the Fiscal Agent except for its own negligence or willful misconduct, as further specified in the Fiscal Agent Agreement.

Events of Default, Remedies

Events of Default. Any one or more of the following events shall constitute an "event of default":

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) default by the District in the observance of any of the other agreements, conditions or covenants on its part in the Fiscal Agent Agreement or in the Bonds contained, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; provided, any noncompliance with the terms of the Continuing Disclosure Covenant under the Fiscal Agent Agreement (and set forth above) shall not be an event of default under the terms of the Fiscal Agent Agreement.

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Fiscal Agent Agreement;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) upon the happening of an event of default (as defined in the Fiscal Agent Agreement), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Fiscal Agent Agreement, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Fiscal Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy in the Fiscal Agent Agreement conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to the Fiscal Agent Agreement or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Net Taxes After Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Fiscal Agent Agreement;

(b) to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Fiscal Agent Agreement, as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of

principal due on such date to the Owners entitled thereto, without any discrimination or preference.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Limitation on Bondowners' Right to Sue. Except as expressly provided for in the Fiscal Agent Agreement, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Fiscal Agent Agreement, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers granted in the Fiscal Agent Agreement or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Fiscal Agent indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Fiscal Agent Agreement or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Fiscal Agent Agreement, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Fiscal Agent Agreement and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Fiscal Agent Agreement.

Defeasance

Any Outstanding Bond(s) shall be deemed to have been paid within the meaning expressed in the Fiscal Agent Agreement if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest and any premium due on such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest and any premium on such Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, direct, noncallable direct obligations of, or obligations guaranteed by, the United States of America, including but not limited to State and Local Government Series ["SLGS"], in which the District may lawfully invest its money, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and monies then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Bond as and when the same shall become due and payable;

then, notwithstanding that any such Bond shall not have been surrendered for payment, all obligations of the District under the Fiscal Agent Agreement, and any Supplement, with respect to such Bond shall cease and

terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained and identified in the Fiscal Agent Agreement.

Miscellaneous

Unclaimed Monies. Anything in the Fiscal Agent Agreement to the contrary notwithstanding, to the extent permitted by law and subject to the applicable escheat laws of the State, any money held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the date when such Bonds have become due and payable, if such money was held by the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent after the date when such monies become due and payable, shall be repaid by the Fiscal Agent to the District, as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look thereafter only to the District for the payment of such Bonds. The Fiscal Agent shall annually give notice to the District of the amount of any unclaimed monies that are available for transfer to the District, and the District is to request such transfer in writing. However, before being required to make any such payment to the District, the Fiscal Agent shall, at the expense of the District, cause to be mailed to the registered owners of such Bonds, at their addresses as they appear on the Bond Register, a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of June 1, 2013, is executed and delivered by Community Facilities District No. 2002-1 of the Moreno Valley Unified School District (the “District”) and Special District Financing & Administration LLC, as dissemination agent, in connection with the issuance and delivery by the District of the Series 2013 Special Tax Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 2012-13-62 and that certain Fiscal Agent Agreement, dated as of June 1, 2013 (the “Fiscal Agent Agreement”). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

“*Disclosure Representative*” shall mean the Superintendent of the School District, the Chief Business Official of the School District or his or her designee, or such other officer or employee as the School District shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, Special District Financing & Administration LLC, or any successor Dissemination Agent designated in writing by the District which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Participating Underwriter*” shall mean Piper Jaffray & Co.

“*Repository*” shall mean the Electronic Municipal Market Access System of 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.

“*Tax-exempt*” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than March 1 immediately following the end of the District's fiscal year, commencing March 1, 2014, the District shall, provide or shall cause the Dissemination Agent to provide, to the Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the Repository or the Municipal Securities Rulemaking Board and the Dissemination Agent of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the District is the Dissemination Agent and the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board, the Repository, if any, and the Participating Underwriter in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Disclosure Dissemination Agent shall upon receipt, promptly file each Annual Report received under Section 3(b) with the Repository.

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

(a) Financial Statements. The audited financial statements of the School District for the most recent fiscal year of the District then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the District in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the School District shall be audited by such auditor as shall then be required or permitted by State law or the Fiscal Agent Agreement. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the School District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such

modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds and any parity Bonds outstanding as of September 2 of each year;

(ii) the balance in each fund under the Fiscal Agent Agreement as of the December 1 preceding the filing of the Annual Report, including the Reserve Fund and a statement of the Reserve Requirement;

(iii) a summary of the Special Taxes levied within the District, and an update of Table 4 based on the assessed value of such land, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report date;

(iv) any changes to the Rate and Methods of Apportionment of Special Tax approved or submitted to the electors for approval prior to the filing of the Annual Report;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vi) the delinquency rate for the Special Taxes for the preceding fiscal year and the identity of any property owner whose delinquent Special Taxes represent more than 5% of the amount levied and the assessed value-to-lien ratios of such delinquent properties; and

(vii) any information not already included under (i) through (vi) above that the District is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

In addition to any of the information expressly required to be provide under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (viii), in the light of the circumstances under which they were made, not misleading for purposes of applicable federal securities laws.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall notify the Dissemination Agent not more than eight (8) Business Days after the following events, and the Dissemination Agent shall file a notice with the Repository not more than ten (10) Business Days after the following events:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings. 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 or the School 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 the School 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 or the School District.

(b) Additionally, the District shall provide the Dissemination Agent, and the Dissemination Agent shall promptly file with the Repository, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated persons or their person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination; of a definitive agreement relating to any such actions, other than pursuant to its term;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. non payment related defaults;
4. modifications to the rights of Bondholders;
5. Bond calls;
6. release, substitution or sale of property securing repayment of the Bonds; and
7. other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(c) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior

redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration LLC. The Dissemination Agent may resign by providing (i) thirty days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Amendment may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Fiscal Agent Agreement, and (5) the District shall have delivered copies of such opinion and amendment to the Repository and the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement,

the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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. Any Dissemination Agent other than the District shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

The Dissemination Agent may file reports, notices and other information as required by this agreement electronically to the Repository. If the District is equipped to receive such information electronically, the Dissemination Agent will include the District in any simultaneous electronic dissemination of materials.

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

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Notices shall be provided, as required hereunder, to the applicable addressees below:

District:	Moreno Valley Unified School District 25634 Alessandro Boulevard Moreno Valley, California 92553 Telephone: (951) 571-7500 Facsimile: (951) 571-7659 Attention: Chief Business Official
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Dissemination Agent: Special District Financing & Administration LLC
437 West Grand Avenue
Escondido, California 92025
Telephone: (760) 233-2630
Facsimile: (760) 233-2631
Attention: _____

Participating Underwriter: Piper Jaffray & Co.
2321 Rosecrans Avenue
El Segundo, California 90245
Attn: _____

SECTION 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

COMMUNITY FACILITIES DISTRICT NO. 2002-1 OF
THE MORENO VALLEY UNIFIED SCHOOL
DISTRICT

By: _____
Superintendent of the Moreno Valley Unified
School District on behalf of Community Facilities
District No. 2002-1 of the Moreno Valley Unified
School District

SPECIAL DISTRICT FINANCING &
ADMINISTRATION LLC,
as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 2002-1 of the Moreno Valley Unified School District

Name of Bond Issue: Community Facilities District No. 2002-1 of the Moreno Valley Unified School District Series 2013 Special Tax Refunding Bonds

Date of Issuance: July 12, 2013

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2002-1 of the Moreno Valley Unified School District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of June 1, 2013. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

_____,
as Dissemination Agent

cc: Moreno Valley Unified School District

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; provided that nothing contained in such website is incorporated herein by reference.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Fiscal Agent's DTC account.

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

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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