NEW ISSUE—FULL BOOK-ENTRY

INSURED BOND RATINGS: Moody's: "Aa3"; Standard & Poor's: "AA+"
UNINSURED BOND/UNDERLYING RATINGS: Moody's: "Aa3"; Standard & Poor's: "A+"
See "MISCELLANEOUS – Ratings" herein.

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

$34,999,103.70
MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT
(Monterey County, California)
Election of 2010 General Obligation Bonds, Series A

Dated: Date of Delivery — Due: August 1 as shown on inside front cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Monterey Peninsula Unified School District (Monterey County, California) Election of 2010 General Obligation Bonds, Series A (the "Bonds"), were authorized at an election of the registered voters of the Monterey Peninsula Unified School District (the "District") held on November 2, 2010, at which the requisite fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $110,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to (i) prepay the District's Certificates of Participation (2005 Financing Projection) (the "2005 Certificates") and other outstanding lease obligations, (ii) finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and (iii) pay certain costs of issuance associated with the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of Monterey County is empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2011. The Capital Appreciation Bonds are dated their date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2011 to maturity (the "Maturity Value"). The Capital Appreciation Bonds will not pay interest on a current basis and are payable only at maturity. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX D — BOOK-ENTRY ONLY SYSTEM" herein.

The scheduled payment of principal and Maturity Value of and interest on the Bonds maturing on August 1, 2016 through August 1, 2041, inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

ASSURED GUARANTY® MUNICIPAL

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as described herein. See "THE BONDS – Redemption" herein.

MATURITY SCHEDULE
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. It is anticipated that the Bonds, in definitive form, will be available for delivery to Cede & Co. as nominee of The Depository Trust Company in New York, New York on or about March 10, 2011.

PiperJaffray® — STONE & YOUNGBERG

Dated: February 23, 2011.

MATURITY SCHEDULE

$34,999,103.70
MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT
(Monterey County, California)
Election of 2010 General Obligation Bonds, Series A

Base CUSIP†: 612582

$2,654,103.70 Capital Appreciation Serial Bonds

Maturity August 1	Initial Principal Amount	Accretion Rate	Yield to Maturity	Final Accreted Value	CUSIP†
2012(1)	$471,905.40	12.000%	1.980%	$555,000	AC0
2013(1)	556,211.25	12.000	2.510	735,000	AD8
2016	53,348.00	12.000	3.800	100,000	AG1
2017	47,479.00	12.000	4.120	100,000	AH9
2018	52,820.00	12.000	4.510	125,000	AJ5
2019	77,096.40	12.000	4.880	205,000	AK2
2020	95,392.35	12.000	5.230	285,000	AL0
2021	110,219.30	12.000	5.560	370,000	AM8
2022	121,955.20	12.000	5.880	460,000	AN6
2023	129,772.50	12.000	6.120	550,000	AP1
2024	136,500.00	12.000	6.320	650,000	AQ9
2025	139,240.50	12.000	6.460	745,000	AR7
2026	141,389.00	12.000	6.590	850,000	AS5
2027	142,118.40	12.000	6.680	960,000	AT3
2028	140,972.50	12.000	6.770	1,070,000	AU0
2029	138,953.10	12.000	6.850	1,185,000	AV8
2030	98,730.80	6.930	6.930	370,000	AW6

(1) The Bonds maturing on August 1, 2012 and August 1, 2013 are not insured by the Insurer.

$32,345,000 Current Interest Term Bonds

$8,230,000 Rate 5.500% Current Interest Term Bond due August 1, 2034 – Yield 5.610% CUSIP†: BA3

$24,115,000 Rate 5.750% Current Interest Term Bond due August 1, 2041 – Yield 5.820% CUSIP†: BH8

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

> "The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or the completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "APPENDIX G - Specimen Municipal Bond Insurance Policy" herein.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Diane Creasey, *President*
Debra Gramespacher, *Clerk Vice-President*
Regena Lauterbach, *Member*
Dr. Bettye Lusk, *Member*
Elizabeth Panetta, *Member*
Curt Parker, *Member*
Helen Rucker, *Member*

DISTRICT ADMINISTRATION

Dr. Marilyn Shepherd, *Superintendent*
Dan Albert, *Assistant Superintendent, District Operations*
Susan Ziebell, *Director of Business Services*
Janet Lee, *Coordinator of Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Financial Advisor

Keygent LLC
El Segundo, California

Underwriters

Piper Jaffray & Co.
El Segundo, California

Stone & Youngberg LLC
San Francisco, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angeles, California

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$34,999,103.70
MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT
(Monterey County, California)
Election of 2010 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Monterey Peninsula Unified School District (Monterey County, California) Election of 2010 General Obligation Bonds, Series A (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Monterey Peninsula Unified School District (the "District") is the largest unified school district in Monterey County. The District serves students in grades K-12 in Monterey County (the "County"). The District boundaries encompass approximately 67 square miles. The District serves the communities of Monterey, Marina, Sand City, Seaside, Del Rey Oaks, a portion of Pebble Beach, and unincorporated portions of the County.

The District operates 11 elementary schools, two middle schools, one K-8 school, three comprehensive high schools, and one alternative high school. The total assessed valuation of taxable property in the District for fiscal year 2010-11 is $9,540,295,833.

The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent, appointed by the Board of Education, who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Dr. Marilyn Shepherd is the Superintendent of the District. See "THE DISTRICT" herein.

Purpose of the Bonds

The proceeds from the sale of the Bonds will be used by the District to (i) prepay its Certificates of Participation (2005 Financing Project) (the "2005 Certificates") and other outstanding lease obligations, (ii) finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and (iii) pay certain costs of issuance associated with the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS – Authority for Issuance" herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds. For more complete information regarding the District's financial condition and taxation of property within the District, see "MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT" and "THE BONDS – Security and Sources of Repayment" herein.

Description of the Bonds

Form, Registration and Denominations. The Bonds will be issued as current interest bonds and capital appreciation bonds in fully registered form only, without coupons and mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" herein and "APPENDIX D – BOOK-ENTRY ONLY SYSTEM." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (described herein). Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in denominations of $5,000 principal amount, or any integral multiple thereof.

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis. The Maturity Value of each Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity date thereof ("Maturity Value"), being composed of its initial principal amount and the interest accreting thereon between the delivery date and its respective maturity date.

Redemption. The Current Interest Bonds may be redeemed before maturity at the option of the District from any source of funds on August 1, 2021 or any date thereafter, as a whole or in part. The Term Bonds maturing on August 1, 2034 and August 1, 2041 are subject to mandatory sinking fund redemption prior to their stated maturity dates as described herein. See "THE BONDS – Redemption" herein.

The Capital Appreciation Bonds are not subject to redemption.

Payments. Interest on the Current Interest Bonds accrues from their initial date of delivery and is payable semiannually on each February 1 and August 1, commencing August 1, 2011 (each a "Bond Payment Date"). Principal on the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Interest on the Capital Appreciation Bonds accretes on the basis of a 360-day year of twelve, 30-day months from the Date of Delivery at the accretion rates set forth in the table of accreted values as shown in APPENDIX E, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011, payable only at maturity, according to the amounts set forth in APPENDIX E. The Maturity Value of the Capital Appreciation Bonds is payable on August 1, in the amounts and years as set forth in APPENDIX E and on the inside cover page hereof.

Payments of the principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Bond Insurance. The scheduled payment of principal of and interest on the Bonds maturing on August 1, 2016 through August 1, 2041, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (Formerly known as Financial Security Assurance Inc.) (the "Insurer"). The Bonds maturing on August 1, 2012 and August 1, 2013 (the "Uninsured Bonds") are not insured by the Insurer. See "THE BONDS - Bond Insurance.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC in New York, New York on or about March 10, 2011.

Continuing Disclosure

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel and Disclosure Counsel to the District and Keygent LLC, El Segundo, California, acting as financial advisor to the District with respect to the Bonds, will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association is acting as the Paying Agent with respect to the Bonds.

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from the Monterey Peninsula Unified School District, 700 Pacific Street, Monterey, California 93940. The District may impose a charge for copying, mailing and handling.

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

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

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

Terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on January 24, 2011 (the "Resolution").

The District received authorization at an election held on November 2, 2010 by more than fifty-five percent of the votes cast by eligible voters within the District to issue $110,000,000 of general obligation bonds (the "Authorization"). The Bonds represent the first series of bonds within the Authorization. After the issuance of the Bonds, $75,000,896.30 of the Authorization will remain.

Security and Sources of Payment

The Bonds represent general obligations of the District payable solely from proceeds of *ad valorem* taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of principal and Maturity Value of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal and Maturity Value of and interest on the Bonds when due. Such taxes, when collected, with respect to the Bonds will be deposited by the County in the District's General Obligation Series A Bond Debt Service Fund (the "Debt Service Fund"), which shall be segregated and maintained by the County and which shall be used for the payment of principal and Maturity Value of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain the Debt Service Fund, the Bonds are not a debt of the County. No funds or moneys of the County are pledged or obligated to the repayment of the Bonds.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent (as defined herein). The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value within the District and necessitate an unanticipated increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

Bond Insurance

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

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

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

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

Current Financial Strength Ratings

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

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

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

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

Capitalization of AGM

At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,578,146,678 and its total net unearned premium reserve was approximately $2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

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

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2011. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2011, in which event it shall bear interest from the Date of Delivery. The Current Interest Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

The Capital Appreciation Bonds are dated the Date of Delivery. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof, except that one Capital Appreciation Bond may have an odd Maturity Value. No Capital Appreciation Bond will have principal maturing on more than one date.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from the Date of Delivery at the Accretion Rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its initial principal amount to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360-day year basis its Maturity Value on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 or August 1.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Bond Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Bond Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Bond Owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Bond Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Current Interest Bonds and the Maturity Value of the Capital Appreciation Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The interest, principal, Maturity Value and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Annual Debt Service on the Bonds

The following table summarizes the annual debt service requirements of the District for the Bonds assuming no optional redemptions are made:

Period Ending August 1	Annual Principal Payment	Annual Interest Payment	Annual Accreted Interest Payment	Total Debt Service
2011	--	$720,377.81	--	$720,377.81
2012[1]	$471,905.40	1,839,262.50	$83,094.60	2,394,262.50
2013[1]	556,211.25	1,839,262.50	178,788.75	2,574,262.50
2014	--	1,839,262.50	--	1,839,262.50
2015	--	1,839,262.50	--	1,839,262.50
2016	53,348.00	1,839,262.50	46,652.00	1,939,262.50
2017	47,479.00	1,839,262.50	52,521.00	1,939,262.50
2018	52,820.00	1,839,262.50	72,180.00	1,964,262.50
2019	77,096.40	1,839,262.50	127,903.60	2,044,262.50
2020	95,392.35	1,839,262.50	189,607.65	2,124,262.50
2021	110,219.30	1,839,262.50	259,780.70	2,209,262.50
2022	121,955.20	1,839,262.50	338,044.80	2,299,262.50
2023	129,772.50	1,839,262.50	420,227.50	2,389,262.50
2024	136,500.00	1,839,262.50	513,500.00	2,489,262.50
2025	139,240.50	1,839,262.50	605,759.50	2,584,262.50
2026	141,389.00	1,839,262.50	708,611.00	2,689,262.50
2027	142,118.40	1,839,262.50	817,881.60	2,799,262.50
2028	140,972.50	1,839,262.50	929,027.50	2,909,262.50
2029	138,953.10	1,839,262.50	1,046,046.90	3,024,262.50
2030	1,038,730.80	1,839,262.50	271,269.20	3,149,262.50
2031	1,485,000.00	1,787,562.50	--	3,272,562.50
2032	1,700,000.00	1,705,887.50	--	3,405,887.50
2033	1,930,000.00	1,612,387.50	--	3,542,387.50
2034	2,175,000.00	1,506,237.50	--	3,681,237.50
2035	2,440,000.00	1,386,612.50	--	3,826,612.50
2036	2,735,000.00	1,246,312.50	--	3,981,312.50
2037	3,050,000.00	1,089,050.00	--	4,139,050.00
2038	3,395,000.00	913,675.00	--	4,308,675.00
2039	3,760,000.00	718,462.50	--	4,478,462.50
2040	4,155,000.00	502,262.50	--	4,657,262.50
2041	4,580,000.00	263,350.00	--	4,843,350.00
Totals	$34,999,103.70	$48,398,165.31	$6,660,896.30	$90,058,165.31

(1) The Bonds maturing on August 1, 2012 and August 1, 2013 are not insured by the Insurer.

Application and Investment of Bond Proceeds

The District plans to use the proceeds from the Bonds to (i) prepay the 2005 Certificates and other lease obligations, (ii) to renovate, acquire, construct, repair and equip District buildings and other facilities, as authorized by the voters of the District in the Authorization, and (iii) to pay certain costs associated with the issuance of the Bonds.

The portion of the proceeds of the sale of the Bonds not used to prepay the 2005 Certificates shall be deposited in the Monterey Peninsula Unified School District General Obligation Series A Bond Building Fund (the "Building Fund") and shall be applied only to renovate, acquire, construct, repair and equip District buildings and other facilities as authorized by the voters of the District in the Authorization. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund.

Any premium, accrued interest received by the District on the sale of the Bonds, shall also be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund are expected to be invested in any one or more investments generally permitted to school districts under the laws of the State of California or as permitted by the Resolution, including guaranteed investment contracts. Moneys in the Debt Service Fund are expected to be invested through the Monterey County Treasury Pool. See "MONTEREY COUNTY TREASURY POOL" herein.

Redemption

Optional Redemption. The Current Interest Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2021 at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are not subject to optional redemption.

Mandatory Redemption. The Bonds maturing on August 1, 2034 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2030, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The Bonds maturing on August 1, 2041, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2035, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (August 1)	Sinking Fund Deposit
2030	$940,000
2031	1,485,000
2032	1,700,000
2033	1,930,000
2034[(1)]	2,175,000
Total	$8,230,000

Redemption Date (August 1)	Sinking Fund Deposit
2035	$2,440,000
2036	2,735,000
2037	3,050,000
2038	3,395,000
2039	3,760,000
2040	4,155,000
2041[(1)]	4,580,000
Total	$24,115,000

(1) Final Maturity.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 30 nor more than 45 days prior to the redemption date (i) to the respective Registered Owners thereof at the addresses appearing on the bond registration books, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depository and the Information Services may be given by facsimile transmission or overnight delivery service in lieu of notice by mail. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Telephone: (212) 855-1000 or Fax: (212) 855-7320.

The actual receipt by any Bondowner or any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and neither failure to receive, failure to publish such notice nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

The notice or notices required for redemption will be given by the Paying Agent or its designee. A certificate by the Paying Agent that notice of call and redemption has been given to Owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

Payment of Redeemed Bonds. When notice of redemption has been given, substantially as described above, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for such purpose in the Debt Service Fund, as described below, the Bonds designated for redemption in such notice shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof out of the Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

Transfer and Exchange

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 16th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the sixteenth day next preceding a date for which such Bond has been selected for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal and interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, satisfactory to the County, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by Moody's

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$34,999,103.70
Net Original Issue Premium	1,487,279.20
Total Sources	$36,486,382.90
Uses of Funds	
Building Fund	$34,999,103.70
Debt Service Fund	725,109.18
Costs of Issuance[(1)]	762,170.02
Total Uses	$36,486,382.90

(1) Costs of issuance include Underwriters' discount, insurance premium, legal and financial advisory fees, printing and expenses, demographics, and filing fees.

MONTEREY COUNTY INVESTMENT POOL

The following information has been provided by the County, and the District and Underwriter take no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

Under California law, the District is required to pay all monies received from any source into the Monterey County Treasury to be held on behalf of the District. The Treasurer-Tax Collector of the County (the "Treasurer") has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury (the "Treasury Pool").

On December 31, 2010, the Treasury Pool contained an amortized cost basis of $1,070,027,109. The market value was $1,069,588,958 and was 99.96% of the amortized cost basis. The portfolio's estimated earned income for the quarter was $1,243,637, which represents an annualized yield of 0.52%. The weighted average maturity of the portfolio was 260 days. The County Treasurer's investment portfolio is in compliance with all provisions of the adopted Investment Policy and with applicable provisions of State statutes. The sources of market values and prices were Bloomberg LLP, Union Bank of California, and certain securities dealers. The County Treasurer's report includes separate reports by maturity range and security classification.

As of December 31, 2010, approximately 38.59% of the Treasury Pool was in cash or invested in instruments with overnight maturities, including repurchase agreements with dealers, money market funds, commercial paper, and investments in the Local Agency Investment Fund (LAIF) managed by the State Treasurer.

Type of Security	Market Value	Average Days to Maturity	% of Portfolio
Money Market Accounts	$281,931,155.45	1	26.36%
State Pool	90,000,000.00	1	8.41
CAMP	41,029,005.05	1	3.84
Negotiable CDs	10,003,000.00	54	.94
Medium Term Notes	55,534,490.00	683	5.19
Commercial Paper Discount Notes	9,973,600.00	181	.93
Federal Agency Coupon Securities	250,069,507.00	248	23.38
Federal Agency Discount	19,983,200.00	176	1.87
US Treasury Notes	181,531,300.00	274	16.97
US Treasury Bills	39,967,600.00	152	3.74
Federal Agency Step Up	89,566,100.00	1,294	8.37
Total	$1,069,588,957.50	260	100.00%

Source: County of Monterey Treasurer-Tax Collector.

Neither the District nor the Underwriters have made an independent investigation of the investments in the Treasury Pool and has made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the "full cash value" is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50 percent of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100 percent of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4 percent of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9 percent of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by fifty-five percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The fifty-five percent vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by fifty-five percent of the voters. These provisions require that such bonds may be issued only if the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See " – Article XIIIA of the California Constitution" above.

Jarvis v. Connell

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

Proposition 1A

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

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been largely codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2010-11 provided for additional inter-fiscal year deferrals. On March 1, 2010, the Governor signed into law Assembly Bill No. 5 of the Eighth Extraordinary Session of the California Legislature ("ABX8 5") which enacted various provisions to enable the State to effectively manage its cash resources. On March 22, 2010, the Governor signed into law Assembly Bill No. 14 of the Eighth Extraordinary Session of the California

Legislature ("ABX8 14," and together with ABX8 5, the "Cash Management Legislation"), which bill amended and clarified certain provisions of ABX8 5. With respect to the funding of school districts in fiscal year 2010-11, the Cash Management Legislation authorizes the deferral of all State apportionments due in July 2010, October 2010 and March 2011 by no more than 60, 90 or 60 days, respectively (the "Cash Management Deferrals"). None of the Cash Management Deferrals may exceed $2.5 billion at any one time. The State Controller, State Treasurer and State Director of Finance are also authorized, upon the joint concurrence thereof, to accelerate or delay any of the Cash Management Deferrals by up to one month.

In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. Finally, the Cash Management Legislation also provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for an exemption from any of the Cash Management Deferrals.

Pursuant to the provisions of the Cash Management Legislation, on March 30, 2010 the State Controller, State Treasurer and Director of Finance jointly provided a written declaration of the expected amounts and timing of apportionment deferrals for fiscal year 2010-11. On April 16, 2010, the State Department of Education issued a letter informing school districts that all three Cash Management Deferrals would be implemented, each for the maximum authorized amount of $2.5 billion, as follows: (i) the July 2010 apportionment was deferred for 60 days to September 2010; (ii) the October 2010 apportionment was deferred 90 days until January 2011; and (iii) the March 2011 apportionment was deferred until April 29, 2011. On August 23, 2010, the Director of Finance issued a letter informing various public officials, including the State Department of Education, that the deferral of the October 2010 apportionment will be accelerated by one month, to September 2010.

As an additional cash management measure, the Governor, on October 19, 2010, approved trailer legislation to the 2010-11 Budget ("AB 1610") which amended existing Education Code provisions providing for cross-fiscal year deferrals of State apportionments to school districts. Specifically, AB 1610 increased the existing April-to-July deferral by $420,000,000 and the existing May-to-July deferral by $800,000,000.

Recent Litigation Regarding State Funding of Education

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX BASE FOR REPAYMENT OF BONDS

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

***Ad Valorem* Property Taxation**

District property taxes are assessed and collected by the County. The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. If taxes remain unpaid by 5:00 p.m. on June 30th, the property will be declared tax-defaulted. Real property remaining in tax-defaulted status for five or more years will become subject to the tax collector's power to sell. Once subject to power to sell, real property may be sold at public auction or otherwise conveyed to new ownership. Taxes on unsecured property (personal property and leasehold) are due as of the January 1 lien date and become delinquent on August 31.

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

Assessed Valuations

The District, which is located in the County, uses the facilities of the County for the assessment and collection of taxes. District taxes are collected at the same time and on the same tax rolls as are county, city and special district taxes. Assessed valuations are the same for both District and the County taxing purposes.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is the part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The passage of AB 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a state-mandated local program by requiring the assignment of the assessed value of all unitary and operating nonunitary property in each county of each state assessee other than a regulated railway company. The legislation established formulas for the computation of applicable countywide tax rates for such property and for the allocation of property tax revenue attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each county to issue each state assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

Property within the District has a total assessed valuation for fiscal year 2010-11 of $9,540,295,833. Shown in the following table are the assessed valuations for the District for the period 2000-01 through 2010-11.

ASSESSED VALUATIONS
Fiscal Year 2000-01 through 2010-11
Monterey Peninsula Unified School District

	Secured	Utility	Unsecured	Total(1)
2000-01	$4,819,331,842	$664,542	$458,666,824	$5,278,663,208
2001-02	5,220,227,479	664,481	469,353,068	5,690,245,028
2002-03	5,564,750,094	663,635	557,164,834	6,122,578,563
2003-04	5,972,896,305	5,763,449	584,776,971	6,563,436,725
2004-05	6,488,695,110	798,220	580,016,926	7,069,510,256
2005-06	7,372,025,391	800,042	607,571,255	7,980,396,688
2006-07	8,223,390,710	797,871	618,298,289	8,842,486,870
2007-08	9,041,467,966	793,072	629,981,996	9,672,243,034
2008-09(2)	9,298,068,167	4,224,529	733,183,732	10,035,476,428
2009-10(2)	9,094,194,809	4,430,368	727,188,245	9,825,813,422
2010-11	8,866,314,026	4,432,030	669,549,777	9,540,295,833

(1) Total Before Redevelopment Increment.
(2) *Source: The County.*
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

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

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

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

Assessed Valuations Per Parcel of Single Family Homes

The following table shows the assessed valuation per parcel of single family homes in the District for fiscal year 2010-11.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES
Fiscal Year 2010-11
Monterey Peninsula Unified School District

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	16,075	$4,814,851,422	$299,524	$229,208

2010-11 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	104	0.647%	0.647%	$2,008,674	0.042%	0.042%
$25,000 - $49,999	1,020	6.345	6.992	41,181,402	0.855	0.897
$50,000 - $74,999	1,476	9.182	16.174	91,089,310	1.892	2.789
$75,000 - $99,999	1,098	6.830	23.005	95,369,026	1.981	4.770
$100,000 - $124,999	921	5.729	28.734	103,426,341	2.148	6.918
$125,000 - $149,999	842	5.238	33.972	115,633,479	2.402	9.319
$150,000 - $174,999	783	4.871	38.843	127,053,768	2.639	11.958
$175,000 - $199,999	816	5.076	43.919	153,081,537	3.179	15.137
$200,000 - $224,999	834	5.188	49.107	177,236,407	3.681	18.818
$225,000 - $249,999	911	5.667	54.774	216,244,752	4.491	23.310
$250,000 - $274,999	732	4.554	59.328	191,426,145	3.976	27.285
$275,000 - $299,999	667	4.149	63.477	191,088,561	3.969	31.254
$300,000 - $324,999	676	4.205	67.683	210,504,723	4.372	35.626
$325,000 - $349,999	613	3.813	71.496	206,658,441	4.292	39.918
$350,000 - $374,999	632	3.932	75.428	227,809,650	4.731	44.650
$375,000 - $399,999	490	3.048	78.476	189,926,328	3.945	48.594
$400,000 - $424,999	345	2.146	80.622	141,866,440	2.946	51.541
$425,000 - $449,999	311	1.935	82.557	135,694,250	2.818	54.359
$450,000 - $474,999	247	1.537	84.093	114,025,117	2.368	56.727
$475,000 - $499,999	252	1.568	85.661	122,497,739	2.544	59.271
$500,000 and greater	2,305	14.339	100.000	1,961,029,332	40.729	100.000
Total	16,075	100.000%		$4,814,851,422	100.000%	

[1] Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Assessed Valuations and Parcels by Land Use

The following table shows the assessed valuation and parcels by land use in the District for fiscal year 2010-11.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2010-11
Monterey Peninsula Unified School District

	2010-11 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$3,938,302	0.04%	119	0.46%
Commercial	1,776,006,056	20.03	1,412	5.51
Vacant Commercial	42,543,663	0.48	233	0.91
Industrial	251,772,032	2.84	215	0.84
Vacant Industrial	17,217,930	0.19	79	0.31
Recreational	127,683,468	1.44	21	0.08
Government/Social/Institutional	38,870,019	0.44	1,471	5.74
Miscellaneous	42,126,407	0.48	462	1.80
Subtotal Non-Residential	$2,300,157,877	25.94%	4,012	15.64%
Residential:				
Single Family Residence	$4,814,851,422	54.30%	16,075	62.68%
Condominium/Townhouse	618,091,251	6.97	2,350	9.16
Mobile Home	13,367,049	0.15	516	2.01
Mobile Home Park	26,696,189	0.30	12	0.05
2-4 Residential Units	292,571,885	3.30	984	3.84
5+ Residential Units/Apartments	473,462,589	5.34	479	1.87
Miscellaneous Residential	14,081,801	0.16	76	0.30
Vacant Residential	313,033,963	3.53	1,142	4.45
Subtotal Residential	$6,566,156,149	74.065	21,634	84.36%
Total	$8,866,314,026	100.00%	25,646	100.00%

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

Tax Levies, Collections and Delinquencies

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

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e. interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning December 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries.

The annual secured tax levies and delinquencies are included for the District for the fiscal years shown below.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2005-06 through 2009-10
Monterey Peninsula Unified School District

	Secured Tax Charge(1)	Amt. Del. June 30	% Del. June 30
2005-06	$26,168,757.00	$527,156.49	2.01%
2006-07	29,169,911.00	935,853.94	3.21
2007-08	31,254,962.00	1,614,928.65	5.17
2008-09	32,426,064.00	1,286,602.00	3.97
2009-10	31,837,128.00	966,943.65	3.04

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

Typical Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District during the period from fiscal year 2006-07 to fiscal year 2010-11.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2006-07 through 2010-11
Typical Total Tax Rates (TRA 3-000)
Monterey Peninsula Unified School District

	2006-07	2007-08	2008-09	2009-10	2010-11
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Monterey Peninsula Community College District	.02066	.01994	.01978	.02241	.02146
Total	1.02066%	1.01994%	1.01978%	1.02241%	1.02146%

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2010-11 secured assessed valuations:

20 LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2010-11
Monterey Peninsula Unified School District

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total[1]
1.	Pacific Holdings LP	Shopping Center	$93,557,911	1.06%
2.	Pebble Beach Co.	Hotel	81,102,435	0.91
3.	Cannery Row Hotel Development Venture LP	Hotel	66,084,879	0.75
4.	P Monterey LP	Apartments	58,214,048	0.66
5.	Marina Community Partners LLC	Residential Development	49,414,172	0.56
6.	The Cannery Row Company	Hotel	48,576,919	0.55
7.	San Carlos Associates LLC	Hotel	45,426,864	0.51
8.	Inns of Cannery Row	Hotel	40,939,103	0.46
9.	Muller-Ryan LLC	Office Building	40,235,608	0.45
10.	Shea Marina Village LLC	Shopping Center	39,437,460	0.44
11.	LV44 LP	Apartments	37,916,694	0.43
12.	Sunbay Resorts Associates LLC	Apartments	34,314,925	0.39
13.	Custom House Hotel Co. Ltd.	Hotel	31,672,523	0.36
14.	Monterey County Bank	Residential Properties	29,836,182	0.34
15.	California-American Water Co.	Water Company	27,503,402	0.31
16.	RB Monterey LLC	Hotel	25,927,821	0.29
17.	Sunrise Monterey Senior Living LP	Convalescent Home	22,661,279	0.26
18.	UCP East Garrison LLC	Residential Development	22,500,000	0.25
19.	Canada Woods LLC	Recreational	21,296,288	0.24
20.	Hyatt Equities LLC	Hotel	21,045,398	0.24
			$837,663,911	9.45%

(1) 2010-11 Local secured assessed valuation: $8,866,314,026.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of January 1, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Monterey Peninsula Unified School District

2010-11 Assessed Valuation:	$9,540,295,833
Redevelopment Incremental Valuation:	2,180,171,672
Adjusted Assessed Valuation:	$7,360,124,161

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/11
Hartnell Joint Community College District	0.015%	$18,451
Monterey Peninsula Community College District	30.816	37,897,112
City of Marina	98.547	8,302,585
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	5.651	1,825,556
City of Marina Community Facilities District No. 2003-1	100.000	1,340,000
City of Marina 1915 Act Bonds	94.216-100.000	874,467
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$50,258,171
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Monterey County General Fund Obligations	16.514%	$32,331,935
Monterey County Judgment Obligations	16.514	413,676
Hartnell Joint Community College District General Fund Obligations	0.015	290
Monterey Peninsula Unified School District	**100.000**	**7,130,000**(1)
City of Marina Pension Obligations	98.547	3,631,457
City of Monterey General Fund Obligations	100.000	13,260,000
City of Seaside Pension Obligations	100.000	6,565,000
Monterey Bay Unified Air Pollution Control Authority	9.643	203,467
TOTAL OVERLAPPING GENERAL FUND DEBT		$63,535,825
COMBINED TOTAL DEBT		$113,793,996(2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 0.53%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($7,130,000) 0.10%
Combined Total Debt 1.55%

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

Source: California Municipal Statistics, Inc.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable only from the revenues generated by an ad valorem tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The Monterey Peninsula Unified School District (the "District") is the largest unified school district in Monterey County. The District serves students in grades K-12 in Monterey County (the "County"). The District boundaries encompass approximately 67 square miles. The District serves the communities of Monterey, Marina, Fort Ord, Sand City, Seaside, Del Rey Oaks, a portion of Pebble Beach and unincorporated portions of the County.

The District operates 11 elementary schools, two middle schools, one K-8 school, three comprehensive high schools, and one alternative high school. The total assessed valuation of taxable property in the District for fiscal year 2010-11 is $9,540,295,833.

Administration

The District is governed by a seven-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 three and four available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

BOARD OF EDUCATION
Monterey Peninsula Unified School District

Name	Office	Term Expires
Diane Creasey	President	November 2011
Debra Gramespacher	Clerk Vice-President	November 2011
Regena Lauterbach	Member	November 2013
Dr. Bettye Lusk	Member	November 2013
Elizabeth Panetta	Member	November 2011
Curt Parker	Member	November 2013
Helen Rucker	Member	November 2013

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dr. Marilyn Shepherd is the Superintendent of the District and Dan Albert is the Assistant Superintendent, District Operations.

Brief biographies of key District personnel follow:

Dr. Marilyn Shepherd, Superintendent: Dr. Shepherd joined the District as Superintendent in February 2007. In January 2008, Dr. Shepherd was selected as Superintendent of the Year for Region 10 of the Association of California School Administrators. Dr. Shepherd's 30 year career in education includes experience as a classroom teacher, principal of a special education center, elementary vice principal and principal, a middle school principal, administrator of special education for Fresno Unified School District ("FUSD"), and as the administrator over FUSD early childhood programs, continuation high schools, community day schools, and ten charter schools. Before joining the District, Dr. Shepherd served for three and a half years as the Superintendent of Golden Valley Unified School District in Madera County. Dr. Shepherd received her Bachelor's degree from California State University Fresno, her Master's degree from Fresno Pacific University, and her Doctorate in Educational Leadership from the UC Davis/CSU Fresno joint doctoral program in 1996.

Dan Albert, Assistant Superintendent, District Operations: Mr. Albert was appointed as the District's Assistant Superintendent, District Operations in August 2007. He has been an employee of the District since 1986 as a teacher, site principal, and a District Administrator. Mr. Albert oversees the departments of Facilities/Maintenance/Operations, Transportation, Technology, Nutrition Services, and Fiscal Services. He received his undergraduate degree in Industrial Education with a Master's degree in Educational Leadership from San Jose State University. He is currently completing the Chief Business Officer Education Partnership Training Program.

Susan Ziebell, Director of Business Services: Ms. Ziebell was appointed as the District's Director of Business Services in July 2008. She has been with the District for over 20 years. Prior to joining the District, she was the Comptroller of a major hotel. She received a Certificate of Achievement in School Business Operations from The School Business Leadership Development Academy sponsored by California State University of Monterey Bay, School Services of California and the Monterey County Office of Education in May 2009. She received her Associate Degree from Monterey Peninsula College in Business Administration.

Janet Lee, Coordinator of Fiscal Services: Ms. Lee joined the District as Coordinator of Fiscal Services in July 2010. She has been with the District for two years. Prior to joining the District, she was the Chief Business Official Intern at the Monterey County Office of Education. She received a Certificate of Achievement in School Business Operations from The School Business Leadership Development Academy sponsored by California State University of Monterey Bay, School Services of California and the Monterey County Office of Education in May 2009. She received her Bachelor of Science degree from the University of California, Davis.

Labor Relations

As of December 1, 2010, the District employed 584 full-time equivalent and part-time certificated employees and 516 classified, management and supervisory employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

DISTRICT EMPLOYEES
Monterey Peninsula Unified School District

Labor Organization	Number of Employees in Organization	Contract Expiration Date
Monterey Bay Teachers Association	526	June 30, 2011
California School Employees Association	408	June 30, 2011

Source: The District.

Retirement Programs

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contribution to STRS was $3,513,203 for fiscal year 2008-09, $3,200,984 for fiscal year 2009-10 and is projected to be $3,287,833 for fiscal year 2010-11. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The District's contribution to PERS was $1,531,670 for fiscal year 2008-09, $1,586,350 for fiscal year 2009-10 and is projected to be $1,796,242 for fiscal year 2010-11. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school District, it is impossible to determine the District's share. The School District was required to contribute to PERS at an actuarially determined rate, which is 10.707% of eligible salary expenditures for fiscal year 2010-11, while participants contribute 7% of their respective salaries.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to all employees who retire at age fifty-five with five years of service. Certificated and management employees are eligible with at least five years of service, and classified employees are eligible after ten years of service. These benefits are paid as the expense is incurred.

As of February 1, 2010, the District's most recent actuarial valuation date (the "Actuarial Study") with respect to its liability in connection with such post-employment health care benefits, the plan was unfunded. The Actuarial Study, dated as of February 1, 2010, determined that the actuarial accrued liability with respect to the District's Post-Employment Benefits is $37,003,247, and that actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability of $37,003,247. The Actuarial Study also concluded that the annual required contribution ("ARC") as of June 30, 2010 was $2,901,019. The ARC is the annual amount that would be necessary to fund the OPEB in accordance with the Governmental Accounting Standards Board's Statements No. 43 and 45. The District's net OPEB obligation is $1,842,257. See "DISTRICT FINANCIAL INFORMATION – District Debt Structure" herein.

Insurance

The District is a member of a Joint Powers Authority ("JPA"), Protected Insurance Program for Schools ("PIPS"), for workers compensation claims. The JPA was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of PIPS, including selections of management and approval of operating budgets.

The District is a member of the Northern California Schools' Regional Liability Excess Fund ("NCSRLEF") JPA, for General Liability claims from $25,001 up to $1,000,000 and for Property claims from $25,001 up to $141,060,000. NCSRLEF was formed for the operation of a common risk management and insurance program and is governed by a governing board consisting of representatives of member districts. The governing board controls the operations of NCSRLEF, including selections of management and approval of operating budgets.

The District is a member of a Joint Powers Authority, Schools Excess Liability Fund ("SELF"), for General Liability claims from $1,000,001 up to $14,000,000. SELF was formed for the operation of a common risk management and insurance program and is governed by a governing board consisting of representatives of member districts. The governing board controls the operations of SELF, including selections of management and approval of operating budgets.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's General Fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Accounting Practices

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

Revenue is recorded on an accrual basis except for taxes allocable to the District, which are considered revenue in the year collections are made and, therefore, are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the year, are reflected as adjustments to the fund balance.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2010, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 700 Pacific Street, Monterey, California 93940. Excerpts from the audited financial statements for the year ended June 30, 2010, are included in APPENDIX B hereto.

Comparative Financial Statements

The following table reflects the District's revenues, expenditures and fund balances for fiscal years 2004-05 through 2009-10 and the projected totals for fiscal year 2010-11:

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2004-05 through 2010-11
Monterey Peninsula Unified School District

REVENUES:	Audited Actuals 2004-05	Audited Actuals 2005-06	Audited Actuals 2006-07	Audited Actuals 2007-08	Audited Actuals 2008-09	Audited Actuals 2009-10	Projected Totals[1] 2010-11
Revenue Limit Sources:							
State Apportionment	$28,249,200	$27,315,018	$31,056,604	$31,927,014	$28,978,248	$13,744,935	$20,251,631
Local Sources	27,691,225	29,561,959	29,999,998	29,547,473	31,652,575	39,081,019	32,029,048
TOTAL REVENUE LIMIT SOURCES	55,940,425	56,876,977	61,056,602	61,474,487	60,630,823	52,825,954	52,280,679
Federal Sources	8,421,936	8,637,074	8,765,796	9,262,279	13,889,259	12,338,739	16,530,404
Other State Sources	15,459,835	15,649,608	20,428,967	19,397,740	14,621,932	16,349,311	16,460,547
Other Local Sources	6,412,689	7,490,638	8,488,824	8,250,133	10,511,622	8,959,873	8,090,812
TOTAL REVENUES	86,234,885	88,654,297	98,740,189	98,384,639	99,653,636	90,473,877	93,362,442
EXPENDITURES:							
Certificated Salaries	37,861,394	37,904,327	39,947,997	41,334,510	41,329,788	37,893,093	38,189,751
Classified Salaries	11,573,882	12,260,061	12,998,120	14,467,367	14,866,858	14,674,663	15,302,462
Employee Benefits	18,050,935	18,629,030	18,207,279	19,172,050	20,821,437	19,041,139	19,453,105
Books & Supplies	3,822,808	3,975,749	4,875,516	5,163,858	4,013,140	2,968,511	7,016,758
Contract Services and Operating Expenditures	6,944,330	7,059,530	8,454,544	9,475,859	8,693,841	9,672,415	19,033,658
Capital Outlay	531,956	675,403	1,330,070	328,887	140,910	371,584	395,189
Other Outgo	5,093,515	5,796,753	6,842,303	4,979,116	3,504,860	2,321,133	4,951,223
Debt Service:							
Principal Retirement	246,575	--	--	77,940	423,531	437,603	--
Interest	117,487	285,534	257,284	106,959	398,202	372,156	--
TOTAL EXPENDITURES	84,242,882	86,586,387	92,913,113	95,106,546	94,192,567	87,752,297	104,342,147
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,992,003	2,067,910	5,827,076	3,278,093	5,461,069	2,721,580	(10,979,705)
OTHER FINANCING SOURCES/(USES):							
Proceeds from capitalized lease obligations	--	--	489,192	37,559	--	--	--
Operating Transfers In	404,606	297,447	453,834	407,509	1,013,919	1,394,350	200,000
Operating Transfers Out	(953,856)	(1,080,113)	(1,799,851)	(1,052,890)	(1,148,217)	(4,094,093)	(674,686)
TOTAL OTHER FINANCING SOURCES/(USES)	(549,250)	(782,666)	(856,825)	(607,822)	(134,298)	(2,699,743)	(474,686)
NET CHANGE IN FUND BALANCES	1,442,753	1,285,244	4,970,251	2,670,271	5,326,771	21,837	(11,454,391)
Fund Balance, July 1	5,591,171	7,033,924	8,319,168	13,289,419	15,959,690	21,286,461	21,308,298[2]
Fund Balance, June 30	$7,033,924	$8,319,168	$13,289,419	$15,959,690	$21,286,461	$21,308,298	$10,473,805

(1) As of the District's first interim financial report for fiscal year 2010-11.
(2) Reflects Restatements of $619,897.86.
Source: The District.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools nor has it received a negative or qualified certification of any of its Interim Reports.

General Fund Budget

The District's general fund adopted budgets for fiscal years 2007-08 through 2010-11, and general fund actual results for the fiscal years 2007-08 through 2009-10, with projected totals for fiscal year 2010-11, are set forth in the following table:

GENERAL FUND BUDGET
Fiscal Years Ending June 30, 2008 through June 30, 2011
Monterey Peninsula Unified School District

	Adopted Budget 2007-08	Audited Actuals 2007-08	Adopted Budget 2008-09	Audited Actuals 2008-09	Adopted Budget 2009-10	Audited Actuals 2009-10	Adopted Budget 2010-11	Projected Totals[1] 2010-11
REVENUES:								
Revenue Limit Sources:								
State Apportionment	$32,486,005	$31,927,014	$32,852,359	$28,978,248	$26,861,875	$13,744,935	$21,363,085	$20,251,631
Local Sources	29,157,429	29,547,473	28,862,318	31,652,575	26,152,316	39,081,019	30,955,093	32,029,048
TOTAL REVENUE LIMIT SOURCES	61,643,434	61,474,487	61,714,677	60,630,823	53,014,191	52,825,954	52,318,178	52,280,679
Federal Sources	9,990,939	9,262,279	9,326,841	13,889,259	11,595,315	12,338,739	9,101,471	16,530,404
Other State Sources	17,512,094	19,397,740	17,285,884	14,621,932	14,227,064	16,349,311	13,536,944	16,460,547
Other Local Sources	6,771,803	8,250,133	6,867,468	10,511,622	8,376,496	8,959,873	7,350,049	8,090,812
TOTAL REVENUES	95,918,270	98,384,639	95,194,870	99,653,636	87,213,066	90,473,877	82,306,641	93,362,442
EXPENDITURES:								
Certificated Salaries	40,606,804	41,334,510	41,470,434	41,329,788	36,274,214	37,893,093	37,542,692	38,189,751
Classified Salaries	13,650,847	14,467,367	14,614,097	14,866,858	14,101,335	14,674,663	14,340,766	15,302,462
Employee Benefits	19,836,454	19,172,050	20,870,141	20,821,437	18,709,418	19,041,139	19,003,944	19,453,105
Books & Supplies	7,747,262	5,163,858	6,823,951	4,013,140	7,636,593	2,968,511	3,661,101	7,016,758
Contract Services and Operating Expenditures	5,988,291	9,475,859	5,803,584	8,693,841	8,296,794	9,672,415	12,345,878	19,033,658
Capital Outlay	243,908	328,887	223,964	140,910	375,476	371,584	113,826	395,189
Other Outgo	5,788,063	4,979,116	4,836,511	3,504,860	4,011,401	2,321,133	2,641,882	4,951,223
Debt Service:								
Principal Retirement	66,274	77,940	423,530	423,531	237,602	437,603	--	--
Interest	106,749	106,959	398,950	398,202	372,156	372,156	--	--
TOTAL EXPENDITURES	94,034,652	95,106,546	95,465,162	94,192,567	90,014,989	87,752,297	89,650,090	104,342,147
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,883,618	3,278,093	(270,292)	5,461,069	(2,801,923)	2,721,580	(7,343,448)	(10,979,705)
OTHER FINANCING SOURCES/(USES):								
Proceeds from capitalized lease obligations	--	37,559	--	--	--	--	--	--
Operating Transfers In	421,906	407,509	451,872	1,013,919	549,018	1,394,350	200,000	200,000
Operating Transfers Out	(1,594,489)	(1,052,890)	(753,439)	(1,148,217)	(528,468)	(4,094,093)	(734,597)	(674,686)
TOTAL OTHER FINANCING SOURCES/(USES)	(1,172,583)	(607,822)	(301,567)	(134,298)	20,550	(2,699,743)	(534,597)	(474,686)
NET CHANGE IN FUND BALANCES	711,035	2,670,271	(571,859)	5,326,771	(2,781,373)	21,837	(7,878,046)	(11,454,391)
Fund Balance, July 1	13,289,419	13,289,419	15,959,690	15,959,690	21,286,461	21,286,461	16,119,138	21,308,298[2]
Fund Balance, June 30	$14,000,454	$15,959,690	$15,387,831	$21,286,461	$18,505,088	$21,308,298	$8,241,093	$10,473,805

(1) As of the District's first interim financial report for fiscal year 2010-11.
(2) Reflects Restatements of $619,897.86.
Source: The District.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2010 is show below:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Certificates of Participation	$7,485,000	--	$355,000	$7,130,000
Capitalized lease obligations	370,280	--	82,603	287,877
Lighting retrofit loans	1,484,244	--	305,037	1,179,207
Net OPEB obligations	6,028,554	$2,901,019	7,087,316	1,842,257
Compensated absences	829,503	--	64,625	764,878
Totals	$16,197,581	$2,901,019	$7,894,591	$11,204,019

Payments on Certificates of Participation and the capitalized lease obligations were made from the General Fund. Payments on the lighting retrofit loans were made from the Deferred Maintenance Fund. Payments on the net OPEB obligations and compensated absences were made from the fund for which the related employee worked.

Certificates of Participation. On October 12, 2005, the District sold $8,490,000 of Certificates of Participation (2005 Financing Project) to the Monterey Peninsula Unified School District Financing Corporation. The 2005 Certificates mature in varying amounts through 2025. At June 30, 2010, the District's certificate payment obligations were as follows:

Year Ending June 30	Principal	Interest	Total
2011	$365,000	$284,244	$649,244
2012	375,000	272,928	647,928
2013	390,000	260,742	650,742
2014	400,000	247,482	647,482
2015	415,000	233,482	648,482
2016-2020	2,330,000	915,532	3,245,532
2021-2025	2,855,000	388,212	3,243,212
TOTAL	$7,130,000	$2,602,622	$9,732,622

The 2005 Certificates will be prepaid with a portion of the proceeds from the issuance of the Bonds.

Capitalized Lease Obligations. The District leases equipment under long-term lease purchase agreements. A summary of future minimum lease payments is as follows:

Year Ending June 30	Annual Payments
2011	$87,167
2012	87,167
2013	87,167
2014	61,762
Total payments	323,266
Less interest portion	(35,589)
Net minimum lease payment	$287,677

Lighting Retrofit Loans. The District received lighting retrofit loans in the amount of $3,058,087. A summary of the future minimum payments is as follows:

Year Ending June 30	Principal	Interest	Total
2011	$318,312	$45,750	$364,062
2012	332,111	31,951	364,062
2013	311,559	17,430	328,989
2014	217,225	6,545	223,770
TOTAL	$1,179,207	$101,676	$1,280,883

State Funding of Education

As a whole, California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in state revenues significantly affect appropriations made by the legislature to school districts.

Annual state apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("A.D.A."). Generally, these apportionments amount to the difference between the District's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The following table shows the District's average daily attendance and revenue limit per A.D.A. for the last five years, as well as budgeted figures for fiscal year 2010-11.

ENROLLMENT, AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2005-06 through 2010-11
Monterey Peninsula Unified School District

Fiscal Year	Enrollment	Average Daily Attendance	Funded Revenue Limit Per A.D.A.(1)
2005-06	10,929	11,021	$5,131
2006-07	11,164	11,163	5,529
2007-08	11,135	11,028	5,781
2008-09	11,192	11,089	5,631
2009-10	11,097	10,315	4,950
2010-11(2)	10,639	10,047	4,938

Note: All amounts are rounded to the nearest whole number.
(1) The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again in fiscal year 2008-09.
(2) Projected.
Source: The District.

In 2008-09, the District received $61,714,677 from revenue limit sources, accounting for approximately 64.8 percent of its General Fund revenue. For 2009-10, the District received $52,825,954 of revenue limit source income, accounting for approximately 58.3 percent of its General Fund revenue. For 2010-11, the District has budgeted for $52,318,178 of revenue limit source income, which is approximately 63.6 percent of its budgeted General Fund revenue.

State Lottery

In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50 percent of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District in 2009-10 were approximately 1.8 percent and in 2010-11 are projected to be approximately 1.9 percent of General Fund revenues.

Other State Revenues

As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues ("State Sources"). In fiscal year 2009-10, State Sources accounted for approximately 18.1 percent of total General Fund revenues. In 2010-11, State Sources are budgeted to equal approximately 16.4 percent of total General Fund revenues.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the No Child Left Behind Act and specialized programs such as Drug-Free Schools. The federal revenues, most of which are restricted, were approximately 13.7 percent of General Fund revenues in fiscal year 2009-10, and are budgeted to equal approximately 11.1 percent of such revenues in 2010-11.

Developer Fees

The following table lists the annual developer fees generated since fiscal year 2006-07.

DISTRICT DEVELOPER FEES
Fiscal Years 2006-07 through 2010-11
Monterey Peninsula Unified School District

Fiscal Year	Amount
2006-07	$866,974
2007-08	429,929
2008-09	228,131
2009-10	181,043
2010-11[1]	29,698

[1] Projected.
Source: The District.

Redevelopment Revenues

The District has agreements with the Marina Redevelopment Agency, the Redevelopment Agency of the City of Monterey, the Redevelopment Agency of the City of Seaside, the Redevelopment Agency of the County of Monterey and the Sand City Redevelopment Agency (collectively, the "Agencies"), pursuant to which the District receives a portion of the tax increment revenues received by said agencies. The following table summarizes the revenues received by the District from the Agencies over the last five fiscal years, and projections for fiscal years 2010-11.

REDEVELOPMENT REVENUES
Fiscal Years 2006-07 through 2010-11
Monterey Peninsula Unified School District

Fiscal Year	Redevelopment Income Received by the District
2006-07	$391,437.50
2007-08	94,419.36
2008-09	1,153,836.57
2009-10	602,901.64
2010-11	205,676.84

Source: The District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal and Maturity Value of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

2010-11 Budget. The 2010-11 Budget Act (the "2010-11 Budget") was signed into law by the Governor on October 8, 2010. On October 12, 2010, the LAO released its summary of the major features of the 2010-11 Budget (the "LAO Budget Summary"). The following information is adapted from LAO Budget Summary.

Absent corrective measures, the 2010-11 Budget projects a fiscal year 2010-11 ending deficit of approximately $17.9 billion. To address this gap, the 2010-11 Budget relies on $7.8 billion of expenditure and cost reductions, $5.4 billion of federal funding measures, $3.3 of revenue measures, and $2.7 billion of loans, transfers and one-time fund shifts.

With the implementation of these measures, the 2010-11 Budget assumes, for fiscal year 2009-10, year-end revenues of $81.6 billion and expenditures of $86.3 billion. The 2010-11 Budget also assumes the State ended fiscal year 2009-10 with a budget deficit of $6.3 billion. For fiscal year 2010-11, the 2010-11 Budget projects total revenues of $89.4 billion (an increase of 8.4% from the prior year) and authorizes total expenditures of $86.5 billion (an increase of 0.2% from the prior year). The State is also projected to end fiscal year 2010-11 with a $1.3 million surplus. The LAO notes that well over two-thirds of the measures included in the 2010-11 Budget are of a one-time nature. As a result, the State is expected to continue facing structural deficit problems in future fiscal years.

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

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

During the State's budgetary impasse, various State vendors went unpaid and the State's annual revenue anticipation warrant ("RANs") borrowing was delayed. Without the proceeds of from such RANs, the 2010-11 Budget projects that the State will have difficulty meeting all its financial obligations without the use of registered warrants (also known as IOUs). Therefore, the 2010-11 Budget includes provisions authorizing the State Controller to delay the payment of school district and community college district apportionments, as well as various other State payments, in October by several days. Such deferrals would be in addition to existing deferrals of State apportionments.

Other significant features of the 2010-11 Budget includes the following:

- *Higher Education.* $250 million of increased funding to the University of California system and $260 million of increased funding to the California State University system. These augmentations are each $106 million lower than the amounts included in the Governor's May revision to his proposed budget for fiscal year 2010-11 (the "May Revision"), reflecting the receipt of federal stimulus funding. The 2010-11 Budget also includes a $100 million reduction to the Cal Grant financial aid program, and instead backfills this reduction with excess revenue from the Student Loan Operating Fund.

- *State Employee Compensation.* The 2010-11 Budget implements $1.6 billion in reductions to State personnel costs, including $896 million in anticipated savings from recent agreements with State employee unions and $580 million in anticipated savings from a 5% reduction in the State workforce.

- *Social Services.* $300 million in anticipated savings in the IHSS program, including $190 million from the application of the State sales tax to IHSS providers, $35 million from a 3.6% reduction to authorized service hours for IHSS recipients, and a $75 million adjustment to reflect a lower than anticipated caseload.

- *Medi-Cal.* $187 million in anticipated savings by requiring managed care enrollment of certain Medi-Cal recipients, $100 million in anticipated savings from rate freezes and reductions to certain Medi-Cal providers, and $26 million in assumed savings from antifraud efforts.

- *CalWorks.* The 2010-11 Budget does not include the proposed elimination of the CalWORKs program included in the May Revision. However, CalWORKs funding was subject to various Gubernatorial vetoes, as discussed below.

- *Corrections/Rehabilitation.* $820 million in unallocated reductions to inmate medical services achieved primarily by paroling certain sick inmates. The 2010-11 Budget also assumes $219 million in savings from unspecified adult correctional population changes.

- *State Courts.* $405 million reduction to State general fund support for trial courts. This reduction would be largely offset by a one-time shift of $350 million in redevelopment funding.

- *Local Mandate Securitization.* The 2010-11 Budget authorizes joint powers authorities to issue up to $1 billion of ten-year "local mandate claim receivables" backed by the State's repayment obligation to cities, counties and special districts. Under the plan, the State would pay interest on the receivables at a rate of 2% per year, with local agencies bearing all other additional interest or issuance costs.

- *Federal Funding*. As mentioned above, the 2010-11 Budget assumes $5.4 billion in federal funding measures, allowing for a like reduction of State general fund costs. This additional funding is to be achieved primarily through federal approval for reductions in state costs or service levels, and the receipt of additional federal stimulus funding. The LAO notes that most of these measures have not been approved by Congress.

- *Revenue Measures.* The 2010-11 Budget includes $3.3 billion of revenue measures, including (i) $1.4 billion in additional revenues by adopting the LAO's May 2010 revenue forecast, (ii) $1.2 billion of additional revenues by extending the current ban on Net Operating Loss tax deductions, and (iii) $1.2 billion in one-time revenue from the sale of 11 state office properties.

- *Gubernatorial Vetoes.* In signing the budget, the Governor vetoed $963 million in State general fund expenditures, including (i) $256 million by eliminating CalWORKs Stage 3 child care, (ii) $80 million for child welfare services, (iii) $12 million for HIV/AIDS health programs, (iv) $10 million for health clinics, (v) $6 million for community based programs run by the Department of Aging, and (vi) $133 million of funding for student mental health services.

Additional information regarding the 2010-11 Budget is available from the LAO's website: www.lao.ca.gov.

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

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

The Fiscal Outlook Report concludes that although the 2010-11 Budget had projected the State would end fiscal year 2010-11 with a $1.3 billion General Fund reserve, the LAO now projects, if no actions are taken, the State faces a 2010-11 year-end General Fund deficit of $6.1 billion. The Fiscal Outlook Report attributes this projected budget deficit to (i) an expected failure to receive approximately $3.5 billion in federal funding (or flexibility in operating state-federal programs like Medi-Cal), (ii) reductions in projected revenues and (iii) increases in projected expenditures. The Fiscal Outlook Report assumes the State will be unable to achieve fiscal year 2009-10 and/or fiscal year 2010-11 budget solutions totaling approximately $3 billion. In addition, the Fiscal Outlook Report forecasts revenue for fiscal years 2009-10 and 2010-11 approximately $447 million below the 2010-11 Budget assumptions, and projects that the State will be unable to achieve an additional $800 million in budgeted solutions for fiscal year 2010-11 due to recent statutory changes. See, e.g., "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 26" herein.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov.

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

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

In total, the Governor proposes $26.4 billion in budget solutions. If adopted and achieved in full, the Governor's budget plan would leave the State with a reserve of around $1 billion at the end of 2011-12. The Governor proposes to reduce current-law General Fund state expenditures by $12.5 billion. These expenditure-related solutions include both reductions in services and benefits and use of other funding sources in lieu of the General Fund. The Governor proposes a total of $14 billion in new revenues, of which $3 billion is attributed to 2010-11. The additional revenues to be deposited in the General Fund would result in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools and community colleges (reducing the net effect of these new revenues to $12 billion). The remaining $1.9 billion in solutions comes from borrowing from special funds and other sources.

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

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

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

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

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

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

The Governor proposes to achieve $750 million in Proposition 98 child care savings by making four major policy changes: (1) reducing child care subsidies by about 35%; (2) reducing income eligibility for subsidized child care from 75% to 60% of state median income, (3) eliminating subsidized child care for 11- and 12-year olds, and (4) reducing a portion of CalWORKs caseload based on reform proposals. After accounting for various other federal and state adjustments, the Governor's proposal would reduce total 2011-12 funding for Proposition 98-supported child care programs by about $652 million (29%) and child care slots by about 9,900 (3%) compared to 2010-11.

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

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

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

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

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

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the current State budget deficit, changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to pay *ad valorem* taxes upon all taxable property within the District for the payment of principal and interest on the Bonds would not be impaired.

TAX MATTERS

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

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. 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).

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

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

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is included in APPENDIX A hereto.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of bondholders (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than eight months following the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2010-11 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events is included under the caption "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

No Litigation

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

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations are subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Insured Bonds have been assigned ratings of "Aa3" and "AA+" by Moody's Investor Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively based upon the issuance of the Policy by the Insurer. The Insured Bonds have been assigned underlying ratings of "Aa3" and "A+" by Moody's and S&P respectively. The Uninsured Bonds have been assigned ratings of "Aa3" and "A+" by Moody's and S&P respectively. The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Financial Statements

Excerpts of the financial statements with for the year ended June 30, 2010, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 27, 2010 of Perry-Smith LLP, independent accountants (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Piper Jaffray & Co. and Stone & Youngberg LLC (collectively, the "Underwriters") have agreed, pursuant to a purchase contract between the District and the Underwriters, to purchase all of the Bonds for a purchase price of $35,724,212.88 (principal amount of the Bonds of $34,999,103.70, plus net original issue premium of $1,487,279.20, less Underwriters' discount of $157,495.97, less $239,674.05 of bond insurance premium to be paid by the Underwriters to the Insurer, less $365,000.00 to be used by the Underwriters to pay costs of issuance of the Bonds). The purchase contract related to the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

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

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein about the District has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

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

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

By: /s/ Dan Albert
Dan Albert
Assistant Superintendent, District Operations

APPENDIX A

FORMS OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

[Closing Date]

Board of Education
Monterey Peninsula Unified School District

Members of the Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $34,999,103.70 Monterey Peninsula Unified School District Election of 2010 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Monterey Peninsula Unified School District (the "District") voting at an election held on November 2, 2010, and a resolution of the Board of Education of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate

sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

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

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

COUNTY OF MONTEREY

MONTEREY, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

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MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

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MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

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PERRY-SMITH
THE POWER OF CONFIDENCE

Perry-Smith LLP
400 Capitol Mall | Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT

Board of Education
Monterey Peninsula Unified School District
Monterey, California

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monterey Peninsula Unified School District, as of and for the year ended June 30, 2010, which collectively comprise Monterey Peninsula Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monterey Peninsula Unified School District as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010 on our consideration of Monterey Peninsula Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Monterey Peninsula Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Monterey Peninsula Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
October 27, 2010

Monterey Peninsula Unified School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monterey Peninsula Unified School District (the "District") is the largest unified school district in Monterey County. The District currently operates 24 schools, consisting of 8 elementary schools (grades K-5), 3 elementary schools (K-6), 1 K-8 school (grades K-8), 2 middle schools (grades 6-8), 3 comprehensive high schools (grades 9-12), 1 continuation high school, 1 ROC/P, 1 adult school, 2 child development centers, 1 middle school Community Day School, and 1 high school Community Day School.

As of June 30, 2010, the District budget included 608 certificated full-time equivalents (FTE) and 529 classified FTE.

For the 2009-10 school year the District's CBED October enrollment was 11,034, a decrease of 158 over the 2008-09 fiscal year. For the current school year 2010-11, enrollment is 10,666, a decrease of 368 over the prior year. More than 50 percent of the District's students are eligible for free and reduced priced meals. The District serves a diverse student population and students speak more than 37 languages.

Mission Statement and Strategies

On June 16, 2003, the Board of Trustees for Monterey Peninsula Unified School District adopted a new Mission Statement. The Mission Statement states:

> ***Through dynamic, engaging learning experiences and collaborative partnerships within our diverse coastal community, the Monterey Peninsula Unified School District ensures that each student will attain the intellectual, social and personal knowledge to passionately seek the challenges of the future.***

Coupled with this new mission statement are the following strategies:

- **We will develop the means to build trust, internally and with our community, to achieve our mission and to act in a manner consistent with our beliefs.**

- **We will form and strengthen partnerships within and beyond our diverse coastal community to achieve our objectives and mission.**

- **We will develop and implement learning options to ensure that all students;**
  - **Demonstrate responsibility to home, school and community**
  - **Meet and exceed the essential academic goals for success at the next level**

- **We will develop clear means through which students will identify and achieve their personal and academic goals.**

- **We will develop means to recruit, hire, and retain high quality staff and develop a coherent approach for ongoing staff learning to best achieve our objectives and mission.**

- **We will develop and implement means to ensure that our facilities meet our students' needs.**

The Mission Statement and Strategic Plans are the basis and guiding principles of the District.

In the 2007-08 school year, the District formed a Blueprint for Success Committee with a district goal of 100% of our students will meet or exceed district standards. The strategies to achieve this are: District-Wide Accountability, Dynamic Work-force, Professional Development and School Configuration. For more information, please visit the District's website, mpusd.k12.ca.us.

FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Financial Reports

The District has accounts for the value of fixed assets and includes these values as part of the financial statements. The District displays the value of all assets including buildings, land, equipment, and depreciation. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are one indicator of whether the financial position is improving or declining.

Financial Condition of the General Fund

The ending balance for Monterey Peninsula Unified School District in 2009-10 is $21,308,298. Public education received a 4.25% cost of living increase in 2009-2010 and the District received a cost of living allowance (COLA) per unit of Average Daily Attendance (ADA) of $262.00 in revenue limit income; however, this was reduced by a 18.355% deficit to the revenue limit income. Revenue limit amounts vary throughout the State and the District is funded at the "average revenue limit per ADA" for unified districts in California. Although the revenue limit income decreased, the District was able to cover cost increases for employee salaries and benefits due to step and column movement, other fixed costs, and maintain programs by taking advantage of the State's Categorical Flexibility provision. The following table summarizes fund balance changes in the general fund financial statements:

Summary of Financial Operations				
	30-Jun-09	30-Jun-10	**Change in Fund Balance**	
Revenues	$100,667,555	$91,868,227	Fund Balance June 30, 2009	$21,286,461
Expenditures	($95,340,784)	($91,846,390)	Fund Balance June 30, 2010	$21,308,298
Difference	$5,326,771	$21,837	**Change**	$21,837

Statement of Net Assets

The Statement of Net Assets for the 2009-10 year shows the District's net assets as $104,010,096. This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as Certificates of Participation repayment obligations. The table below summarizes the change in net assets from 2008-09 to 2009-2010.

Statement of Net Assets		
	30-Jun-09	30-Jun-10
Assets	$126,154,815	$123,137,614
Liabilities	$24,942,112	$19,127,518
Ending Net Assets	**$101,212,703**	**$104,010,096**

Statement of Activities

The Statement of Activities for the 2009-10 audit shows the District's change in net assets as $2,797,393 for Governmental Activities.

	30-Jun-09	30-Jun-10
Program Revenues	$38,524,966	$33,534,964
General Revenues	$71,905,863	$69,197,251
Expenses	$127,571,653	$99,934,822
Change in Net Assets	**($17,140,824)**	**$2,797,393**

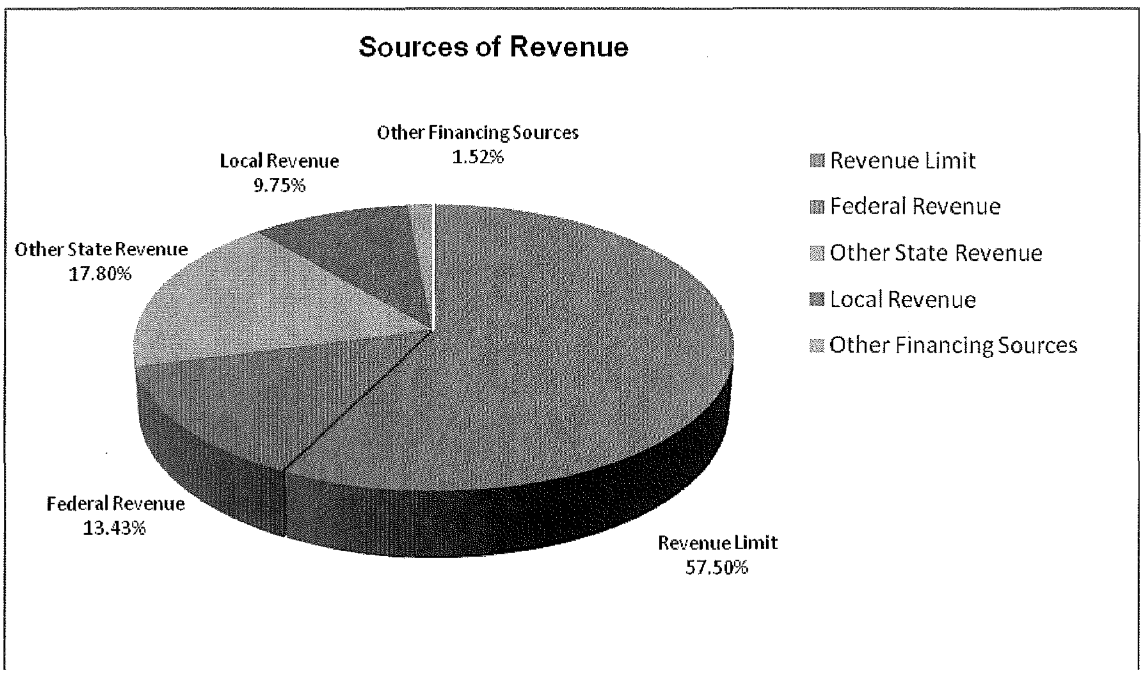
General Fund Revenues

Most of the District's General Fund revenue is generated from the revenue limit, which yields funds based on a State-determined dollar amount multiplied by the average daily attendance of students throughout the school year. Public education, unlike any other public agency, receives most of its revenue based on the population it serves.

The second biggest source of revenue is State categorical income that must be spent for selected State-determined programs. The largest categorical program also known as restricted programs is Special Education.
Federal income is a small portion of the entire District income but it is growing as new Federal commitments are added. Again, most of the Federal income is restricted since it must be expended for purposes that are determined by the grantor and not the local Board of Education.

The District's total resources for expenditure in the budget year include a "beginning balance," which reflects a carryover of unexpended balances from the prior year. Under the requirement of state law, a portion of the beginning balance must remain as a Reserve for Economic Uncertainties.

Sources Available	
Revenue Limit	$52,825,954
Federal Revenue	$12,338,739
Other State Revenue	$16,349,311
Local Revenue	$8,959,873
Other Financing Sources	$1,394,350
Total Revenue	$91,868,227
Beginning Fund Balance	$21,286,461
Total General Fund Sources	$113,154,688

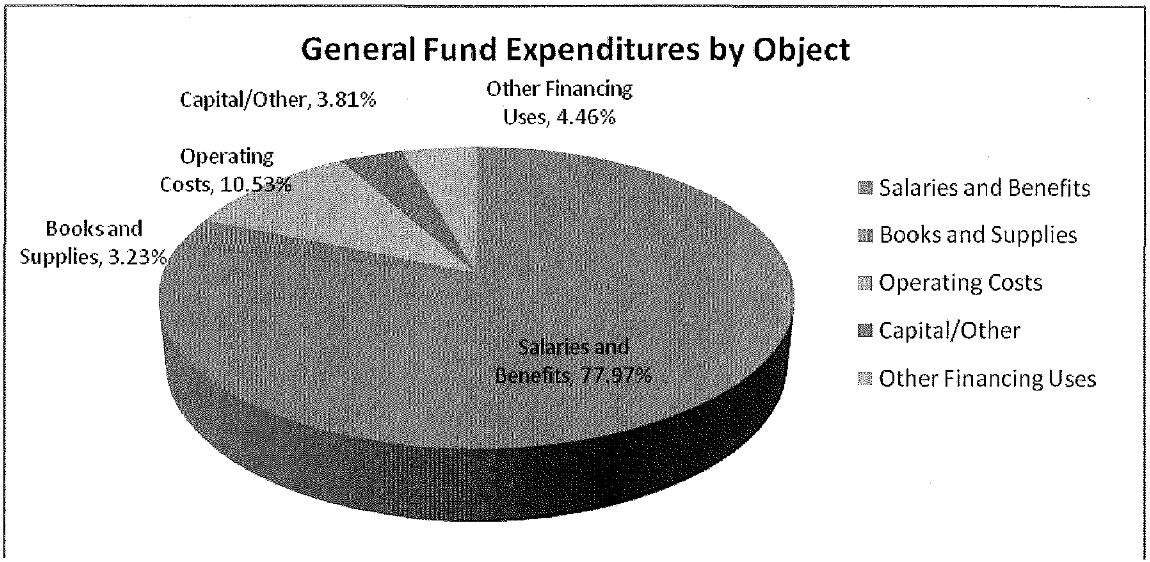


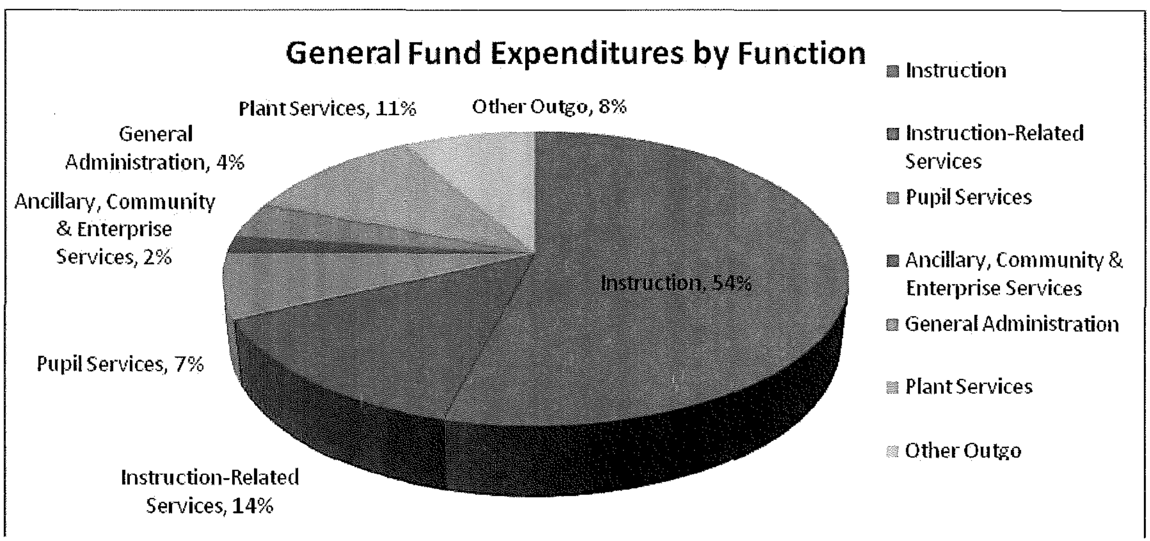
General Fund Expenditures

Employee salary and benefit costs consume 77.97% of the District's general fund expenditures. Approximately 54% of the District's expenditures go directly to the classroom for instructional salary and benefit costs.

There are two types of income: restricted and unrestricted. A significant portion of California school district income is restricted and, as such, can only be expended for selected purposes as determined by the granting agency. The unrestricted income can be expended as determined by the local agency for general educational purposes.

General Fund Expenditures	
Salaries and Benefits	$71,608,895
Books and Supplies	$2,968,511
Operating Costs	$9,672,415
Capital/Other	$3,502,476
Other Financing Uses	$4,094,093
Total Expenditures	**$91,846,390**





General Fund Budget versus Actuals

General Fund Approved Budget vs. Actual			
	Actuals	Budget	Difference
Revenues	$91,868,227	$101,180,747	($9,312,520)
Expenditures	($91,846,390)	($107,366,343)	$15,519,953
Difference	$21,837	($6,185,596)	$6,207,433

The District's Net Increase in General Fund Balance was $6,207,433 more than original budget that assumed reductions that were eventually deferred to the following year and did not include any actions for expense reductions that eventually took place. These funds will carry forward to the next fiscal year when the actual reductions will take place.

Factors Bearing on the District's Future

In May of 2010, the California State administration estimated that there would be a budget gap of approximately $18 billion in 2010-11. The 2010-11 State Budget was passed on October 8, 2010, and attempts to address the budget shortfall. The Legislative Analyst's Office (LAO) released a Policy Brief on the adopted State budget and concluded that over two-thirds of the budget solutions are one-time or temporary in nature. The balanced budget is largely due to assumptions such as higher expectations for revenues and economic recovery, presumed expenditure savings, assistance from the federal government and one-time loans, transfer and funding shifts. In addition, the State will have a new governor, legislators and new economic projections in January of 2011. This all amounts to uncertainty for K-12 Education funding in the current year as well as future years. Analysts are not confident that reductions are over and that the State will maintain the level of funding specified in the 2010-11 Budget Act.

Considering these factors, the District will need to continue to proceed with caution in order to ensure that the District remains solvent.

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, contact Susan Ziebell, Director of Business Services at (831) 645-1232.

BASIC FINANCIAL STATEMENTS

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 35,436,358
Accounts receivable	10,520,809
Stores inventory	109,103
Prepaid expenses	252,667
Capital assets, net of accumulated depreciation (Note 4)	76,818,677
Total assets	123,137,614
LIABILITIES	
Accounts payable	5,526,852
Deferred revenue	2,396,647
Long-term liabilities (Notes 5 and 8):	
Due within one year	756,548
Due after one year	10,447,471
Total liabilities	19,127,518
NET ASSETS	
Invested in capital assets, net of related debt	68,924,594
Restricted (Note 6)	19,708,649
Unrestricted	15,376,853
Total net assets	$ 104,010,096

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities (Note 4):					
Instruction	$ 58,041,864	$ 869,094	$ 17,150,899	$ 76,803	$ (39,945,068)
Instruction-related services:					
Supervision of instruction	4,447,524	5,977	3,990,959		(450,588)
Instructional library, media and technology	688,575	651	230,382		(457,542)
School site administration	8,787,182	69,789	1,376,787		(7,340,606)
Pupil services:					
Home-to-school transportation	2,158,485	23	1,107,220		(1,051,242)
Food services	3,816,815	960,639	3,086,372		230,196
All other pupil services	4,445,870	82,250	1,302,451		(3,061,169)
General administration:					
Data processing	532,566				(532,566)
All other general administration	4,049,631	49,555	993,986		(3,006,090)
Plant services	14,608,555	11,469	717,372		(13,879,714)
Ancillary services	457,936	343	49,408		(408,185)
Community services	314,722	3,223	355,273		43,774
Enterprise activities	(5,125,035)				5,125,035
Interest on long-term liabilities	372,156				(372,156)
Other outgo	2,337,976	195,595	848,444		(1,293,937)
Total governmental activities	$ 99,934,822	$ 2,248,608	$ 31,209,553	$ 76,803	(66,399,858)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					41,238,003
Taxes levied for other specific purposes					602,902
Federal and state aid not restricted to specific purposes					25,638,739
Interest and investment earnings					429,366
Miscellaneous					1,288,241
Total general revenues					69,197,251
Change in net assets					2,797,393
Net assets, July 1, 2009					101,212,703
Net assets, June 30, 2010					$ 104,010,096

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 25,111,218	$ 4,864,894	$ 745,331	$ 1,940,785	$ 32,662,228
Cash on hand and in banks				171,087	171,087
Cash in revolving fund	22,000				22,000
Cash with Fiscal Agent			702,801		702,801
Accounts receivable	6,907,799	8,796	108,017	1,835,546	8,860,158
Due from other funds	377,862	36,758	3,135,506	518,874	4,069,000
Stores inventory				109,103	109,103
Total assets	$ 32,418,879	$ 4,910,448	$ 4,691,655	$ 4,575,395	$ 46,596,377
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 4,496,654	$ 4,584	$ 6,030	$ 263,065	$ 4,770,333
Deferred revenue	2,374,147			22,500	2,396,647
Due to other funds	4,239,780	9,777		371,733	4,621,290
Total liabilities	11,110,581	14,361	6,030	657,298	11,788,270
Fund balances:					
Reserved for:					
Revolving fund	22,000				22,000
Stores inventory				109,103	109,103
Unspent categorical revenue	6,636,974			260,104	6,897,078
Unreserved, reported in:					
General Fund	14,649,324				14,649,324
Special Revenue Funds				1,889,009	1,889,009
Capital Projects Funds		4,896,087	4,685,625	1,659,881	11,241,593
Total fund balances	21,308,298	4,896,087	4,685,625	3,918,097	34,808,107
Total liabilities and fund balances	$ 32,418,879	$ 4,910,448	$ 4,691,655	$ 4,575,395	$ 46,596,377

The accompanying notes are an integral
part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2010

Total fund balances - Governmental Funds		$ 34,808,107
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $159,432,206 and the accumulated depreciation is $82,613,529 (Note 4).		76,818,677
Debt issue costs are recognized as expenditures in the period they are incurred. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:		252,667
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2010 consisted of (Note 5):		
Certificates of Participation	$ (7,130,000)	
Capitalized lease obligations	(287,677)	
Lighting retrofit loans	(1,179,207)	
Net OPEB obligations (Note 8)	(1,842,257)	
Compensated absences	(764,878)	(11,204,019)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. The net assets of the Self-Insurance Fund are:		3,334,664
Total net assets - governmental activities		$ 104,010,096

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	$ 13,744,935				$ 13,744,935
Local sources	39,081,019				39,081,019
Total revenue limit	52,825,954				52,825,954
Federal sources	12,338,739			$ 4,193,495	16,532,234
Other state sources	16,349,311			6,224,743	22,574,054
Other local sources	8,959,873	$ 76,802	$ 252,505	1,510,790	10,799,970
Total revenues	90,473,877	76,802	252,505	11,929,028	102,732,212
Expenditures:					
Certificated salaries	37,893,093			2,096,526	39,989,619
Classified salaries	14,674,663			3,069,720	17,744,383
Employee benefits	19,041,139			2,274,946	21,316,085
Books and supplies	2,968,511	(9,004)		2,018,688	4,978,195
Contract services and operating expenditures	9,672,415	150,701	6,712	2,739,075	12,568,903
Capital outlay	371,584	605,378		688,249	1,665,211
Other outgo	2,321,133				2,321,133
Debt service:					
Principal retirement	437,603			305,037	742,640
Interest	372,156				372,156
Total expenditures	87,752,297	747,075	6,712	13,192,241	101,698,325
Excess (deficiency) of revenues over (under) expenditures	2,721,580	(670,273)	245,793	(1,263,213)	1,033,887
Other financing sources (uses):					
Operating transfers in	1,394,350		3,099,594	443,569	4,937,513
Operating transfers out	(4,094,093)		(1,029,366)	(364,984)	(5,488,443)
Total other financing sources (uses)	(2,699,743)		2,070,228	78,585	(550,930)
Net change in fund balances	21,837	(670,273)	2,316,021	(1,184,628)	482,957
Fund balances, July 1, 2009	21,286,461	5,566,360	2,369,604	5,102,725	34,325,150
Fund balances, June 30, 2010	$ 21,308,298	$ 4,896,087	$ 4,685,625	$ 3,918,097	$ 34,808,107

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Net change in fund balances - Total Governmental Funds		$ 482,957
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	$ 1,665,211	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(4,841,326)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	742,640	
Amortization of costs associated with the issuance of liabilities are not uses of financial resources and, therefore, are not reported as expenditures in governmental funds.	(16,842)	
In the statement of activities, expenses related to compensated absences and net OBEB obligations are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 8).	(1,777,632)	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. The change in net assets for the Self-Insurance Fund is:	6,542,385	2,314,436
Change in net assets of governmental activities		$ 2,797,393

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

June 30, 2010

ASSETS	
Cash in County Treasury	$ 608,837
Cash with Fiscal Agent	1,269,405
Accounts receivable	1,660,651
Due from other funds	552,080
Total assets	4,090,973
LIABILITIES	
Accounts payable	755,022
Due to other funds	1,287
Total liabilities	756,309
NET ASSETS	
Net assets - restricted	$ 3,334,664

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2010

Operating revenues:	
Self-insurance premiums	$ 15,093,409
Other local revenue	19,340
Total operating revenues	15,112,749
Operating expenses:	
Classified salaries	177,354
Employee benefits	75,799
Books and supplies	3,609
Contract services	8,854,267
Total operating expenses	9,111,029
Operating income	6,001,720
Non-operating (expense) revenue:	
Interest expense	(10,265)
Transfers from other funds	550,930
Non-operating revenue	540,665
Change in net assets	6,542,385
Net assets, July 1, 2009	(3,207,721)
Net assets, June 30, 2010	$ 3,334,664

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 8,676,296
Cash received from other revenue	19,340
Cash received from suppliers	739,603
Cash paid for employee benefits	(8,854,267)
Cash paid for salaries and benefits	(253,153)
Net cash provided by operating activities	327,819
Cash provided by financing activities:	
Cash received from other funds	550,930
Cash used in investing activities:	
Interest expense	(10,265)
Increase in cash and cash equivalents	868,484
Cash and cash equivalents, July 1, 2009	1,009,758
Cash and cash equivalents, June 30, 2010	$ 1,878,242
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 6,001,720
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in accounts receivable	(495,604)
Decrease in due from other funds	105,758
Increase in accounts payable	743,212
Decrease in due to other funds	(6,027,267)
Total adjustments	(5,673,901)
Net cash provided by operating activities	$ 327,819

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2010

	Trust Fund Scholarship Fund	Agency Funds Student Organizations	Total
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	$ 191,350		$ 191,350
Cash on hand and in banks		$ 217,630	217,630
Accounts receivable	3,007		3,007
Due from other funds	1,497		1,497
Total assets	195,854	217,630	413,484
LIABILITIES			
Due to student groups		217,630	217,630
Total liabilities		217,630	217,630
NET ASSETS			
Net assets - restricted (Note 6)	$ 195,854	$ -	$ 195,854

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

TRUST FUND

For the Year Ended June 30, 2010

	Scholarship Trust
Additions:	
Other local sources	$ 33,686
Deductions:	
Scholarships	41,300
Change in net assets	(7,614)
Net assets, July 1, 2009	203,468
Net assets, June 30, 2010	$ 195,854

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monterey Peninsula Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity - Monterey Peninsula Unified School District Financing Corporation

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the School District. The District and the Monterey Peninsula Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the basic financial statements of the District.

The Corporation was formed in 2005, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

The financial activities of the Corporation are presented in the Special Reserve for Capital Outlay Fund.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, criteria:

A - Manifestation of Oversight

1 - The Corporation's Board of Directors was appointed by the District's Governing Board. The Corporation has no employees. The District's Chief Business Officer functions as the agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity - Monterey Peninsula Unified School District Financing Corporation (Continued)

B - Accounting for Fiscal Matters

1 - The District is able to impose its will upon the Corporation, based on the following:

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.

- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

2 - The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Corporation will be reflected in the lease payments of the District.

- Any surpluses of the Corporation revert to the District at the end of the lease period.

- The District has assumed a "moral obligation", and potentially a legal obligation, or any debt incurred by the Corporation.

C - Scope of Public Service and Financial Presentation

- The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all Corporation facilities under a lease-purchase agreement effective through the year 2024.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate, include six fund types as follows:

A - Governmental Fund Types

1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2. Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

3. Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the County School Facilities, Special Reserve for Capital Outlay, Building and Capital Facilities Funds.

B - Proprietary Funds

1. Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to purchase workers' compensation, dental and vision benefits for employees of the District.

C - Fiduciary Funds

1. Scholarship Trust Fund

The Scholarship Trust Fund is used to account for amounts held by the District as Trustee, to be used to provide scholarships to students of the District.

2. Agency Funds

Student Body Funds:

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Stores Inventory

Stores inventory is valued using the purchases method in that the expense is recorded at the time of purchase. Inventories are recorded as an expenditure or expense at the time the individual inventory items are transferred from the warehouse to the schools or used in meal production.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The Statement of Revenues, Expenses and Change in Fund Balance reflects only the handling charges paid for these purchases. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Compensated Absences

Compensated absence benefits in the amount of $764,878 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Sick Leave Benefits

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Deferred Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, stores inventory and prepaid expenses reflect the portion of net assets represented by revolving fund cash, stores inventory and prepaid expenses, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for special revenue programs represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for scholarships represents the portion of net assets restricted for the payment of scholarships.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Monterey bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2010 consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Activities
Pooled funds:				
Cash in County Treasury	$ 32,662,228	$ 608,837	$ 33,271,065	$ 191,350
Deposits:				
Cash on hand and in banks	171,087		171,087	217,630
Cash in revolving fund	22,000		22,000	
Total deposits	193,087		193,087	217,630
Cash with Fiscal Agent	702,801	1,269,405	1,972,206	
Total	$ 33,558,116	$ 1,878,242	$ 35,436,358	$ 408,980

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Monterey County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Monterey County Treasurer may invest in derivative securities. However, at June 30, 2010, the Monterey County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2010, the carrying amount of the District's accounts were $410,717 and bank balances were $581,045. Of the bank balances, $324,593 was covered by the FDIC insurance and $256,452 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable law.

2. CASH AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent in the Special Reserve for Capital Outlay Fund totaling $702,801 is the proceeds from long-term liabilities held by a trustee. The amount held by the trustee is fully collateralized.

Cash with Fiscal Agent in the Self Insurance Fund totaling $1,269,405 is the amount held to pay self insurance claims.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for certain Self-Insurance Fund activities which are recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	$ 377,862	$ 4,239,780
County School Facilities	36,758	9,777
Special Reserve for Capital Outlay	3,135,506	

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables (Continued)

Fund	Interfund Receivables	Interfund Payables
Non-Major Funds:		
Adult Education	$ 13,973	$ 128,155
Child Development	11,061	55,214
Cafeteria	4,866	182,933
Deferred Maintenance	462,995	
Capital Facilities	25,979	5,431
Proprietary Funds:		
Self-Insurance	552,080	1,287
Fiduciary Funds:		
Foundation Private Purpose Trust	1,497	
Totals	$ 4,622,577	$ 4,622,577

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for the payment of long-term debt.	$ 3,099,594
Transfer from the Special Reserve for Capital Outlay Fund to the General Fund to fund instructional cost center paving.	1,029,366
Transfer from the General Fund to the Self Insurance Fund to self insure for the property and liability insurance.	550,930
Transfer from the General Fund to Deferred Maintenance Fund to fund the five year maintenance plan.	443,569
Transfer from the Child Development Fund to the General Fund to allocate indirect costs.	202,346
Transfer from the Cafeteria Fund to the General Fund to allocate indirect costs.	162,303
Transfer from the Adult Education Fund to the General Fund to allocate indirect costs.	335
	$ 5,488,443

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Transfers and Additions	Transfers and Deductions	Balance June 30, 2010
Non-depreciable:				
Land	$ 5,698,918		$ (5,000)	$ 5,693,918
Work-in-process	3,587,735	$ 605,378	(31,809)	4,161,304
Depreciable:				
Improvement of sites	26,083,135	207,965		26,291,100
Buildings	112,857,483	633,320		113,490,803
Equipment	9,539,724	255,357		9,795,081
Totals, at cost	157,766,995	1,702,020	(36,809)	159,432,206
Less accumulated depreciation:				
Improvement of sites	(18,304,029)	(1,218,101)		(19,522,130)
Buildings	(53,018,655)	(3,180,507)		(56,199,162)
Equipment	(6,449,519)	(442,718)		(6,892,237)
Total accumulated depreciation	(77,772,203)	(4,841,326)		(82,613,529)
Capital assets, net	$ 79,994,792	$ (3,139,306)	$ (36,809)	$ 76,818,677

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 2,583,396
Instructional supervision and administration	606
Instructional library, media and technology	14,849
School site administration	21,652
Home-to-school transportation	118,754
Food services	25,166
Data processing	71,880
Plant services	11,288
All other general administration	1,993,735
Total depreciation expense	$ 4,841,326

5. LONG-TERM LIABILITIES

Certificates of Participation

In 2005, the Monterey Peninsula Unified School District Financing Corporation issued Certificates of Participation in the amount of $8,490,000, with interest rates ranging from 2.75% to 4.50%, to finance various school modernization projects within the District.

The annual payments required to amortize the 2005 Certificates of Participation outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	$ 365,000	$ 284,244	$ 649,244
2012	375,000	272,928	647,928
2013	390,000	260,742	650,742
2014	400,000	247,482	647,482
2015	415,000	233,482	648,482
2016-2020	2,330,000	915,532	3,245,532
2021-2025	2,855,000	388,212	3,243,212
	$ 7,130,000	$ 2,602,622	$ 9,732,622

Capitalized Lease Obligations

The District leases equipment under long-term lease purchase agreements. A summary of future minimum lease payments is as follows:

Year Ended June 30,	Annual
2011	$ 87,168
2012	87,168
2013	87,168
2014	61,762
Total payments	323,266
Less interest portion	(35,589)
Net minimum lease payment	$ 287,677

5. LONG-TERM LIABILITIES (Continued)

Lighting Retrofit Loans

The District received lighting retrofit loans in the amount of $3,058,087. A summary of future minimum payments is as follows:

Year Ended June 30,	Principal	Interest	Total
2011	$ 318,312	$ 45,750	$ 364,062
2012	332,111	31,951	364,062
2013	311,559	17,430	328,989
2014	217,225	6,545	223,770
	$ 1,179,207	$ 101,676	$ 1,280,883

Schedule of Changes in Long-Term Liabilities

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Certificates of Participation	$ 7,485,000		$ 355,000	$ 7,130,000	$ 365,000
Capitalized lease obligations	370,280		82,603	287,677	73,236
Lighting retrofit loans	1,484,244		305,037	1,179,207	318,312
Net OPEB obligations (Note 8)	6,028,554	$ 2,901,019	7,087,316	1,842,257	
Compensated absences	829,503		64,625	764,878	
	$ 16,197,581	$ 2,901,019	$ 7,894,581	$ 11,204,019	$ 756,548

Payments on Certificates of Participation and the capitalized lease obligations were made from the General Fund. Payments on the lighting retrofit loans were made from the Deferred Maintenance Fund. Payments on the net OPEB obligations and compensated absences were made from the fund for which the related employee worked.

6. RESTRICTED NET ASSETS

The restricted net assets consisted of the following at June 30, 2010:

	Governmental Activities	Fiduciary Funds
Restricted for:		
Revolving cash	$ 22,000	
Stores inventory	109,103	
Prepaid expenses	252,667	
Unspent categorical program revenues	6,636,974	
Special revenue programs	2,149,113	
Capital projects	10,538,792	
Scholarships		$ 195,854
Total restricted net assets	$ 19,708,649	$ 195,854

7. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were $1,463,334, $1,531,670 and $1,586,350, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were $3,486,884, $3,513,203 and $3,200,984, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 7, the District provides post-employment healthcare benefits to all employees who retire at age fifty-five (55) with five years of service. These benefits are paid as the expense is incurred.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Certificated Employees

Certificated employees may retire early and may choose one of the following early retirement programs:

1. Consultancy

   The term of any consultancy agreement cannot exceed five years. The medical benefits paid by the District terminate automatically at the end of the fiscal year in which the retiree reaches the age of sixty-five (65).

   - Regular Consultancy - Consultants with projects other than substitute teaching must pay for medical coverage. The consultancy pay is increased by the dollar amount equivalent to the annual dollar increase in medical costs charged to retired employees.

   - Substitute Teacher Consultancy - Consultants whose project is substitute teaching each year, will have their medical coverage paid by the District, including the annual increase for the duration of their consultancy contract. All other benefits are paid by the retiree.

   - Extension of Term - A consultant who has completed the five-year term of regular consultancy or substitute teacher consultancy may extend the term of such agreement if the consultant is less than sixty-five (65) years of age.

2. Medical Benefits Walkaway for Fiscal Years 1989-1990 and 1990-1991

   Retirees not serving as consultants who retired during fiscal years 1989-1990 or 1990-1991 may elect to have medical coverage at the rate in effect at the time of retirement plus 50% of any annual increase in cost thereafter.

3. Health and Welfare Benefits Walkaway for Fiscal Year 1991-1992

   Retirees not serving as consultants who retired during 1991-1992 may elect to have the following benefits:

   - Medical - Fully paid medical premiums plus 95% of annual increase for retiree only.

   - Dental - Fully paid dental premiums plus 75% of annual increase for retiree only.

   - Vision - Fully paid vision premiums plus 75% of annual increase for retiree only.

   - Prescription Drugs - Fully paid prescription drug premiums plus 100% of annual increase for retiree only.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Certificated Employees (Continued)

4. Medicare Part B 1991-1992

The District pays the Medicare Part B premiums for retirees who are eligible. Payment is the Social Security Administration rate that is in effect at the time of retirement plus 100% of any increase in cost thereafter. The District-paid benefit terminates upon the retiree reaching the age of seventy-five (75).

5. Health and Welfare Benefits Walkaway for Fiscal Years 1992-1993 and 1993-1994

- Medical - Fully paid medical premiums plus 75% of annual increase for retiree only.
- Dental - Fully paid dental premiums plus 50% of annual increase for retiree only.
- Vision - Fully paid vision premiums plus 50% of annual increase for retiree only.
- Prescription Drugs - Fully paid prescription drug premiums plus 100% of annual increase for retiree only.

6. Medicare Part B 1992-1993, 1993-1994 and 1994-1995

The District pays the Medicare Part B premiums for those retirees who are eligible. Payment is the Social Security Administration rate that is in effect at the time of retirement plus 100% of any increase in cost thereafter. The District-paid benefit terminates upon the retiree reaching the age of seventy (70).

7. Health and Welfare Benefits Walkaway for Fiscal Year 1994-1995

Retirees not serving as consultants who retired during 1994-1995 may elect to have the following benefits:

- Medical - Fully paid medical premiums plus 75% of annual increase for retiree only.
- Dental - Fully paid dental premiums plus 50% of annual increase for retiree only.
- Vision - Fully paid vision premiums plus 50% of annual increase for retiree only.
- Prescription Drugs - Fully paid prescription drug premiums plus 100% of annual increase for retiree only.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Certificated Employees (Continued)

8. Medical Benefits Walkaway for 1995-1996

Retirees not serving as consultants who retired during fiscal year 1995-1996 may elect to have medical coverage at the rate in effect at the time of retirement plus 50% of any annual increase in cost thereafter.

9. Health and Welfare Benefits Walkaway for Fiscal Year 1996-1997

Retirees not serving as consultants who retired during 1996-1997 may elect to have the following benefits:

- Medical - Fully paid medical premiums plus 75% of annual increase for retiree only.
- Dental - Fully paid dental premiums plus 50% of annual increase for retiree only.
- Prescription Drugs - Fully paid prescription drug premiums plus 100% of annual increase for retiree only.

10. Health and Welfare Benefits Walkaway for Fiscal Years 1997-1998, 1998-1999, 1999-2000 and 2000-2001

Retirees not serving as consultants who retired during 1997-1998, 1998-1999, 1999-2000 and 2000-2001 may elect to have the following benefits:

- Medical - Fully paid medical premiums plus 75% of annual increase for retiree only.
- Dental - Fully paid dental premiums plus 50% of annual increase for retiree only.
- Vision - Fully paid vision premiums plus 50% of annual increase for retiree only.
- Prescription Drugs - Fully paid prescription drug premiums plus 100% of annual increase for retiree only.

District-paid benefits are discontinued when the retiree reaches the age of sixty-five (65) or whenever the retiree becomes eligible for Medicare. Retirees aged sixty-five (65) or older may continue coverage at their own expense providing they have Medicare B or Medicare A and B.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Classified Employees

1. Medical Benefits Walkaway for 1991-1992 through 1993-1994

   Retirees who retired during fiscal years 1991-1992 through 1993-1994 may elect to have medical coverage at the rate in effect at the time of retirement plus any annual increase in cost thereafter.

2. Health and Welfare Benefits Walkaway for Fiscal Year 1994-1995

   Retirees who retired during 1994-1995 may elect to have the following benefits:

   - Medical - Fully paid medical premiums plus 75% of annual increase for retiree only.
   - Dental - Fully paid dental premiums plus 50% of annual increase for retiree only.
   - Vision - Fully paid vision premiums plus 50% of annual increase for retiree only.

3. Medical Benefits Walkaway for 1995-1996, 1997-1998, 1998-1999, 1999-2000 and 2000-2001

   Retirees who retired during fiscal years 1995-1996, 1997-1998, 1998-1999, 1999-2000 and 2000-2001 may elect to have medical coverage at the rate in effect at the time of retirement plus any annual increase in cost thereafter.

   Benefits are discontinued when the retiree reaches age sixty-five (65) or whenever the retiree becomes eligible for Medicare. Retirees aged sixty-five (65) or older may continue coverage at their own expense providing they have Medicare B or Medicare A and B.

Beyond age 65, the District only pays the required CalPERS contribution toward Medical coverage. The minimum district contribution is currently 30% of $349.41 per month for single coverage and $573.82 per month for two-party coverage. The District contribution will increase 5% of $349.41 and $573.82 monthly amount per year until it reaches 100%. The District contribution will remain at this level until the indexed Section 22892 minimums exceed these amounts.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 2,901,019
Interest on net OPEB obligation	0
Adjustment to annual required contribution	(4,867,643)
Annual OPEB cost (expense)	(1,966,624)
Contributions made	(2,219,673)
Decrease in net OPEB obligation	(4,186,297)
Net OPEB obligation - beginning of year	6,028,554
Net OPEB obligation - end of year	$ 1,842,257

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (previously recorded in the Self-Insurance Fund) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ (1,966,624)	112.9%	$ 1,842,257
June 30, 2009	$ 7,768,662	22.4%	$ 6,028,554

As of February 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $37,003,247, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $37,003,247. The covered payroll (annual payroll of active employees covered by the plan) was $59,411,800, and the ratio of the UAAL to the covered payroll was 62 percent.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is based on assumed long-term investment returns on plan assets and/ or the employer's assets, and an annual healthcare cost trend rate of 4.0 percent initially. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2010, was 28 years.

9. JOINT POWERS AUTHORITIES

Protected Insurance Program for Schools Joint Powers Authority

The District is a member of a Joint Powers Authority, Protected Insurance Program for Schools (PIPS), for workers' compensation claims. The Authority was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of PIPS, including selections of management and approval of operating budgets.

Condensed financial information for PIPS for the year ended June 30, 2010 is as follows:

Total assets	$133,033,401
Total liabilities	$ 89,749,713
Net assets	$ 43,283,688
Total revenues	$ 63,047,653
Total expenses	$ 43,591,353
Change in net assets	$ 19,456,300

9. JOINT POWERS AUTHORITIES (Continued)

Northern California Regional Liability Excess Fund

The District is a member of a Joint Powers Authority, Northern California Regional Liability Excess Fund (NCRLEF), for General Liability claims from $25,001 up to $1,000,000 and for Property claims from $25,001 up to $141,060,000. The Fund was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of NCRLEF, including selections of management and approval of operating budgets.

Condensed financial information for NCRLEF for the year ended June 30, 2010 is as follows:

Total assets	$ 53,768,412
Total liabilities	$ 33,726,756
Net assets	$ 20,041,656
Total revenues	$ 37,856,693
Total expenses	$ 29,885,518
Change in net assets	$ 7,971,175

Schools Excess Liability Fund

The District is a member of a Joint Powers Authority, Schools Excess Liability Fund (SELF), for General Liability claims from $1,000,001 up to $14,000,000. The Fund was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of SELF, including selections of management and approval of operating budgets.

Condensed financial information for SELF for the year ended June 30, 2010 is as follows:

Total assets	$209,217,000
Total liabilities	$161,555,000
Net assets	$ 47,662,000
Total revenues	$ 26,645,000
Total expenses	$ 27,701,000
Change in net assets	$ (1,056,000)

The relationship between the District and the Joints Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

10. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

11. SUBSEQUENT EVENTS

The District has reviewed all events occurring from June 30, 2010 through October 27, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	$ 26,861,875	$ 22,365,324	$ 13,744,935	$ (8,620,389)
Local sources	26,152,316	30,651,581	39,081,019	8,429,438
Total revenue limit	53,014,191	53,016,905	52,825,954	(190,951)
Federal sources	11,595,315	14,723,487	12,338,739	(2,384,748)
Other state sources	14,227,064	23,902,425	16,349,311	(7,553,114)
Other local sources	8,376,496	8,083,139	8,959,873	876,734
Total revenues	87,213,066	99,725,956	90,473,877	(9,252,079)
Expenditures:				
Certificated salaries	36,274,214	38,958,829	37,893,093	1,065,736
Classified salaries	14,101,335	15,180,759	14,674,663	506,096
Employee benefits	18,709,418	19,818,807	19,041,139	777,668
Books and supplies	7,636,593	7,405,231	2,968,511	4,436,720
Contract services and operating expenditures	8,296,794	21,527,611	9,672,415	11,855,196
Capital outlay	375,476	547,749	371,584	176,165
Other outgo	4,011,401	2,589,130	2,321,133	267,997
Debt service:				
Principal retirement	237,602	437,603	437,603	
Interest	372,156	372,156	372,156	
Total expenditures	90,014,989	106,837,875	87,752,297	19,085,578
(Deficiency) excess of revenues (under) over expenditures	(2,801,923)	(7,111,919)	2,721,580	9,833,499
Other financing sources (uses):				
Operating transfers in	549,018	1,454,791	1,394,350	(60,441)
Operating transfers out	(528,468)	(528,468)	(4,094,093)	(3,565,625)
Total other financing sources (uses)	20,550	926,323	(2,699,743)	(3,626,066)
Net change in fund balance	(2,781,373)	(6,185,596)	21,837	6,207,433
Fund balance, July 1, 2009	21,286,461	21,286,461	21,286,461	
Fund balance, June 30, 2010	$ 18,505,088	$ 15,100,865	$ 21,308,298	$ 6,207,433

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2010

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	June 2, 2009	$ -	$ 77,715,411	$ 77,715,411	0%	$ 60,193,300	129.0%
6/30/2010	February 1, 2010	$ -	$ 37,003,247	$ 37,003,247	0%	$ 59,411,800	62.3%

The accompanying notes are an integral part of these financial statements.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Monterey Peninsula Unified School District (the "District") in connection with the issuance of $34,999,103.70 of the District's Election of 2010 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated January 24, 2011 (the "Resolution"). The District covenants and agrees as follows:

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

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"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 tax purposes.

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Participating Underwriters" shall mean Piper Jaffray & Co. and Stone & Youngberg LLC, and any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2010-11 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If 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 each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing the Repository to which it was provided.

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

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness; and

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the 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 Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate 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(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate 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 to comply with any provision of this Disclosure Certificate any Holder 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 to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be required to monitor or enforce the District’s duty to comply with its continuing disclosure requirements hereunder.

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

Dated: _________________, 2011

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

By: ____

Assistant Superintendent, District Operations

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2010 General Obligation Bonds, Series A

Date of Issuance: _________________, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

General

The Depository Trust Company ("DTC"), New York, NY, 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 certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Bonds 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 Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 District or 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, Agent, or 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 District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

Neither the District, the County nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

APPENDIX E

ACCRETED VALUES TABLE

ACCRETED VALUES TABLE

DATE	08/01/2012 @ 12%	08/01/2013 @ 12%	08/01/2016 @ 12%	08/01/2017 @ 12%	08/01/2018 @ 12%	08/01/2019 @ 12%	08/01/2020 @ 12%	08/01/2021 @ 12%	08/01/2022 @ 12%	08/01/2023 @ 12%	08/01/2024 @ 12%	08/01/2025 @ 12%	08/01/2026 @ 12%	08/01/2027 @ 12%	08/01/2028 @ 12%	08/01/2029 @ 12%	08/01/2030 @ 6.93%
3/10/2011	4,251.40	3,783.75	2,667.40	2,373.95	2,112.80	1,880.40	1,673.55	1,489.45	1,325.60	1,179.75	1,050.00	934.50	831.70	740.20	658.75	586.30	1,334.20
8/1/2011	4,449.95	3,960.45	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75	689.55	613.70	1,370.30
2/1/2012	4,716.95	4,198.05	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25	730.90	650.50	1,417.75
8/1/2012	5,000.00	4,449.95	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75	689.55	1,466.90
2/1/2013		4,716.95	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25	730.90	1,517.70
8/1/2013		5,000.00	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75	1,570.30
2/1/2014			3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25	1,624.70
8/1/2014			3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	1,681.00
2/1/2015			4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	1,739.25
8/1/2015			4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	1,799.55
2/1/2016			4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	1,861.90
8/1/2016			5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	1,926.40
2/1/2017				4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,993.15
8/1/2017				5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	2,062.20
2/1/2018					4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	2,133.70
8/1/2018					5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	2,207.60
2/1/2019						4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	2,284.10
8/1/2019						5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	2,363.25
2/1/2020							4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	2,445.15
8/1/2020							5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	2,529.85
2/1/2021								4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	2,617.50
8/1/2021								5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	2,708.20
2/1/2022									4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	2,802.05
8/1/2022									5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	2,899.15
2/1/2023										4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,999.60
8/1/2023										5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	3,103.55
2/1/2024											4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	3,211.10
8/1/2024											5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	3,322.35
2/1/2025												4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	3,437.45
8/1/2025												5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	3,556.60
2/1/2026													4,716.95	4,198.05	3,736.25	3,325.25	3,679.80
8/1/2026													5,000.00	4,449.95	3,960.45	3,524.80	3,807.30
2/1/2027														4,716.95	4,198.05	3,736.25	3,939.25
8/1/2027														5,000.00	4,449.95	3,960.45	4,075.75
2/1/2028															4,716.95	4,198.05	4,216.95
8/1/2028															5,000.00	4,449.95	4,363.10
2/1/2029																4,716.95	4,514.25
8/1/2029																5,000.00	4,670.70
2/1/2030																	4,832.55
8/1/2030																	5,000.00

APPENDIX F

CITY OF MONTEREY AND MONTEREY COUNTY
GENERAL AND ECONOMIC DATA

The following information concerning the City of Monterey ("Monterey") and Monterey County (the "County") is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of Salinas, Monterey, or the County.

Introduction

The County borders the Pacific Ocean almost at the midpoint of the California coastline, approximately 130 miles south of San Francisco and 240 miles north of Los Angeles and was incorporated in 1850 as one of the State's original 27 counties. The County covers an area of approximately 3,300 square miles, with a population in excess of 400,000. Agriculture, tourism and government are major contributors to the County's economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills and The Links at Spanish Bay are well known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel also are attractions that draw tourists to the Monterey Peninsula.

City of Monterey

The City of Monterey lies approximately 115 miles south of San Francisco and 350 miles north of Los Angeles and cover 8.62 square miles. Monterey Bay lies to the north, the Pacific Ocean to the west, and Carmel Bay to the south.

The City of Monterey was founded on June 3, 1770, incorporated on May 30, 1850 and served as California's first capital and hosted California's first constitutional convention where on October 13, 1849, our state constitution was signed. In the 1930's and 40's, Monterey became the center of a thriving fishing industry at Cannery Row.

The City of Monterey is a charter city which operates under a City Council/City Manager form of government. The Council is responsible for appointing the City Manager and consists of five members: the Mayor, elected to a two-year term, and four Council members, elected to four-year terms.

The City Manager serves as the professional administrator of the City and is responsible for coordinating all day-to-day operations and administration. The City Manager also serves as chief advisor to the City Council.

Population

The population of the County in 2010 is estimated to be 435,878. The County's population represents an average annual compound growth rate of approximately 0.91%.

POPULATION
City of Monterey,
Monterey County and State of California
2000-2010

Year[1]	City of Monterey Population	City of Monterey % Change	County of Monterey Population	County of Monterey % Change	State of California Population	State of California % Change
2000[2]	29,696	---	401,762	---	33,873,086	---
2001	29,408	(0.97)%	406,766	1.25%	34,430,970	1.65%
2002	29,816	1.39	412,023	1.29	35,063,959	1.84
2003	30,205	0.70	417,088	1.23	35,652,700	1.68
2004	29,757	(0.89)	420,479	0.81	36,199,342	1.53
2005	30,438	2.29	421,022	0.13	36,676,931	1.32
2006	30,052	(1.27)	420,691	(0.08)	37,087,005	1.12
2007	29,951	(0.34)	422,184	0.35	37,463,609	1.02
2008	29,176	(2.59)	426,352	0.99	37,871,509	1.09
2009	29,187	0.04	431,041	1.10	38,255,508	1.01
2010	29,455	0.92	435,878	1.12	38,648,090	1.03

(1) As of January 1. Years 2001-2010 with 2000 Benchmark.
(2) As of April 1.
Source: California Department of Finance.

Industry

The County employment centers around services, retail trade and government. The following table shows the estimated number of members of the labor force by industry group over a five-year period.

ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
County of Monterey
2005-2009

Type of Employment	2005	2006	2007	2008	2009
Total Farm	42,400	40,400	41,600	43,300	43,200
Natural Resources & Mining	200	200	200	200	200
Construction	6,700	7,200	7,000	6,100	4,700
Manufacturing	6,700	6,100	6,100	6,100	5,700
Wholesale Trade	4,800	5,000	4,900	5,100	4,800
Retail Trade	16,800	16,800	17,000	16,700	15,000
Transportation, Warehousing & Utilities	3,400	3,400	3,600	3,600	3,500
Information	2,400	2,200	2,100	2,000	1,700
Financial Activities	6,100	6,200	6,000	5,500	4,700
Professional and Business Services	12,500	12,400	11,900	11,600	10,900
Education and Health Services	12,200	12,500	12,700	13,100	13,600
Leisure and Hospitality	20,800	20,700	21,100	21,400	20,200
Other Services	4,600	4,500	4,600	4,600	4,500
Government	30,300	30,600	31,500	32,200	32,500
Total	169,800	168,300	170,300	171,500	165,400

March 2009 benchmark.
Source: State of California, Employment Development Department.

Employment

The County's civilian labor force reached an annual average level of 216,600 in 2009. The table below lists recent employment and unemployment figures for the County.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Monterey
2005-2009

	2005	2006	2007	2008	2009
Civilian Labor Force					
Employment	191,800	190,100	192,000	195,400	190,900
Unemployment	15,100	14,100	14,700	17,900	25,800
Total	207,000	204,200	206,700	213,300	216,600
Unemployment Rate	7.3%	6.9%	7.1%	8.4%	12.0%

March 2009 benchmark.
Source: State of California, Employment Development Department (www.calmis.ca.gov).

The City of Monterey civilian labor force reached an annual average level of 17,400 in 2009. The table below lists recent employment and unemployment figures for the City.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Monterey
2005-2009

	2005	2006	2007	2008	2009
Civilian Labor Force					
Employment	16,600	16,400	16,600	16,900	16,500
Unemployment	600	500	500	600	900
Total	17,200	16,900	17,100	17,500	17,400
Unemployment Rate	3.2%	3.0%	3.1%	3.7%	5.4%

March 2009 benchmark.
Source: State of California, Employment Development Department (www.calmis.ca.gov).

Largest Employers

The following tables summarize the largest employers in Monterey County, which encompasses the City of Monterey and the surrounding area:

LARGEST EMPLOYERS
Monterey County

Employer Name	Location	Industry
Azcona Harvesting	Greenfield	Harvesting-Contract
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
Community Hospital-Monterey	Monterey	Hospitals and Clinics
D'arrigo Brothers Co	Salinas	Fruits & Vegetables-Growers & Shippers
Dole Fresh Vegetables	Soledad	Food Products & Manufacturers
Fresh Express	Salinas	Salads (Whls)
Hilltown Packing Co	Salinas	Harvesting-Contract
HSBC Card Svc Inc	Salinas	Credit & Debt Counseling Services
Mann Packing Co	Salinas	Fruits & Vegetables-Growers & Shippers
McGraw-Hill Co	Monterey	Publishers-Book (Mfrs)
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey Cnty Social Svc Comm	Salinas	County Government-Social/Human Resources
Natividad Medical Ctr	Salinas	Hospitals
Naval Postgraduate School	Monterey	Schools-Universities & Colleges Academic
Pebble Beach Resorts	Pebble Beach	Resorts
Residences At Spanish Bay	Pebble Beach	Resorts
Salinas Valley Memorial	Salinas	Hospitals
Special Education School Div	Salinas	Schools
Taylor Farms California Inc	Salinas	Fruits & Vegetables-Growers & Shippers
US Defense Dept	Seaside	Federal Government-National Security
US Defense Manpower Data Ctr	Seaside	Government Offices-US

Source: America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition. Employer information provided by infoUSA.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2005 through 2009 in the County are shown in the following table.

BUILDING PERMIT VALUATIONS
Monterey County
2005-2009
(Dollars in Thousands)

	2005	2006	2007	2008	2009
Valuation ($000's)					
Residential	$514,181	$392,413	$369,570	$213,572	$115,975
Non-Residential	116,454	205,771	216,178	138,513	97,441
Total	$630,635	$598,184	$585,748	$352,085	$213,416
Units					
Single Family	1,181	742	559	1,069	118
Multiple Family	154	131	557	322	95
Total	1,335	873	1,116	1,391	213

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

The District does not maintain separate records of building permits or housing starts. The information provided in the table below is shown for the City of Monterey and may not be representative of the District as a whole.

BUILDING PERMITS AND VALUATIONS
City of Monterey
2005-2009
(Dollars in Thousands)

	2005	2006	2007	2008	2009
Valuation ($000's)					
Residential	$19,804	$18,454	$17,820	$12,115	$8,876
Non-Residential	19,413	62,339	81,169	42,381	23,439
Total	$39,217	$80,793	$98,989	$54,496	$32,315
Units					
Single Family	7	16	7	7	3
Multi-Family	0	5	0	3	14
Total	7	21	7	10	17

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

Effective Buying Income

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

"Median household income" represents that level of income above and below which lie 50 percent of families in a particular area. Median family income is the most comprehensive definition of income measured by the U.S. Census Bureau.

EFFECTIVE BUYING INCOME
Monterey County, State of California and the United States
2005-2009

Year/Area	Median Household Effective Buying Income
2005	
Monterey County	$46,344
California	44,681
United States	40,529
2006	
Monterey County	$47,682
California	46,275
United States	41,255
2007	
Monterey County	$48,097
California	48,203
United States	41,792
2008	
Monterey County	$48,288
California	48,952
United States	42,303
2009	
Monterey County	$49,171
California	49,736
United States	43,252

Source: TradeDimensions International, Inc. "Demographics USA" (2005-2006)
Nielsen Claritas Inc. (2007-2009)

Commercial Activity

Commercial activity is an important contributor to the County's economy. The table below shows the County's taxable transactions from 2005 through 2009.

TAXABLE SALES
County of Monterey
2005-2009
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2005	4,854	$3,907,608	11,283	$5,454,500
2006	4,931	4,001,619	11,155	5,658,166
2007	4,857	4,021,150	11,161	5,680,652
2008	4,993	3,714,682	11,168	5,399,594
2009	6,880	3,255,804	10,125	4,705,845

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

Taxable sales in the City of Monterey from 2005 through 2009 are shown in the following table.

TAXABLE SALES
City of Monterey
2005-2009
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2005	829	$493,083	1,738	$630,548
2006	847	506,361	1,712	650,394
2007	811	510,831	1,671	664,089
2008	804	490,146	1,612	647,167
2009	1,033	449,818	1,520	591,741

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

Transportation

Two major north-south highways connect the County with surrounding counties. State Highway 1 follows the coast. U.S. 101 follows the Salinas Valley. Highway 68 links the City to the Monterey Peninsula. Highways 156 and 198 link U.S. 101 with the parallel inland route in adjacent counties.

Local transit needs are served by the Monterey-Salinas Transit system. Greyhound provides regularly scheduled intrastate and interstate transportation. Amtrak passenger service is available from Salinas, which is located on the Southern Pacific mainline route between San Francisco and Los Angeles.

County residents and visitors utilize commercial airlines flying out of Monterey Peninsula Airport, located 3.5 miles from downtown Monterey. The Monterey Peninsula Airport is designated a primary airport within the National Airport System Plan and is in the small hub airport category based on passenger enplanement criteria. It provides scheduled airline and general aviation services.

Union Pacific Railroad provides freight service for the interior of the County. Freight transportation is also provided by several intrastate and transcontinental trucking firms.

Education

Public school education in the County is available through fifteen elementary districts, two high school districts, and seven unified school districts. Thirty-two private schools are located within the County. There are fourteen educational institutions located in Monterey County which provide post-secondary opportunities and several other universities located within close driving distance.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND
INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer