PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 20, 2017

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
Moody's: "____"
S&P: "____"
See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

Campbell
UNION SCHOOL DISTRICT

$28,000,000*
CAMPBELL UNION SCHOOL DISTRICT
(Santa Clara County, California)
2017 General Obligation Bonds
(Series 2010F and Series 2016A Combined Issue)

Dated: Date of Delivery **Due: August 1, as shown below**

The $28,000,000* Campbell Union School District (Santa Clara County, California) 2017 General Obligation Bonds (Series 2010F and Series 2016A Combined Issue) (the "Bonds") are being issued by the Campbell Union School District (the "District") pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Governing Board of the District. The Bonds are a combination of two issues of general obligation bonds of the District, its Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series F (2017) (the "2010F Bonds"), and its Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series A (2017) (the "2016A Bonds").The 2010F Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $150,000,000 (the "2010 Authorization"), and (b) pay for a portion of the costs of issuance of the Bonds. The 2010F Bonds constitute the sixth issue of bonds under the 2010 Authorization. The Bonds will be issued as current interest bonds. The 2016A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on June 7, 2016, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $72,000,000 (the "2016 Authorization"), and (b) pay for a portion of the costs of issuance of the Bonds. The 2016A Bonds constitute the first issue of bonds under the 2016 Authorization.

The Bonds constitute general obligations of the District. The Board of Supervisors of Santa Clara County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2017. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be 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. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

CUSIP† Prefix: 134141

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2018						2033					
2019						2034					
2020						2035					
2021						2036					
2022						2037					
2023						2038					
2024						2039					
2025						2040					
2026						2041					
2027						2042					
2028						2043					
2029						2044					
2030						2045					
2031						2046					
2032											

Bids for the purchase of the Bonds will be received by the District on January 31, 2017, electronically only, through the I-Deal LLC BiDCOMP/PARITY® system, until 9:30 A.M., Pacific Standard time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated January 20, 2017.

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about February 14, 2017.

January ___, 2017

*Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. 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. This Official Statement is not a contract between any bond owner and the District or the Underwriter indicated in this Official Statement.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may 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.

Information in Official Statement. Certain of the information set forth in this Official Statement has been furnished by sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. 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, 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.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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CAMPBELL UNION SCHOOL DISTRICT
155 North Third Street
Campbell, California 95008
(408) 364-4200
http://www.campbellusd.org/*

GOVERNING BOARD

Thomas M. Gemetti, *President*
Michael L. Snyder, *Vice President*
Richard H. Nguyen, *Clerk*
Pablo A. Beltran, *Member*
Danielle M.S. Cohen, *Member*

DISTRICT ADMINISTRATION

Dr. Eric Andrew *Superintendent*
James Crawford, *Deputy Superintendent, Administrative Services*
Dr. Shelly Viramontez*, Assistant Superintendent, Human Resources*
Whitney Holton, *Assistant Superintendent, Instructional Services*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
San Francisco, California

PAYING AGENT
U.S. Bank National Association
San Francisco, California

*Information therein is not incorporated by reference into this Official Statement.

$28,000,000*
CAMPBELL UNION SCHOOL DISTRICT
(Santa Clara County, California)
2017 General Obligation Bonds
(Series 2010F and Series 2016A Combined Issue)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the $28,000,000* Campbell Union School District (Santa Clara County, California) 2017 General Obligation Bonds (Series 2010F and Series 2016A Combined Issue) (the "Bonds"). The Bonds are a combination of two issues of general obligation bonds of the District, its $8,000,000* Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series F (2017) (the "2010F Bonds"), and its $20,000,000*Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series A (2017) (the "2016A 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 Campbell Union School District (the "District") provides public education in kindergarten through grade 8 to the residents of the City of Campbell, and portions of the town Los Gatos and the cities of Monte Sereno, San José, Santa Clara, and Saratoga, in Santa Clara County, California (the "County"). The District operates nine elementary schools, three middle schools, and a community day school. Eleven of the schools in the District are "dependent" charter schools. The District was formed in 1921. The District is located in a primarily residential suburb in the southwest corner of "Silicon Valley," approximately six miles from the City of San José, the County seat. The District is served by interstate highways 280 and 17.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District's audited financial statements for the fiscal year ended June 30, 2016, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.

Sources of Payment for the Bonds

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all

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* Preliminary, subject to change.

property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

The Bonds are being issued by the District pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Governing Board of the District (the "Governing Board") on October 6, 2016 (the "Resolution").

The 2010F Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $150,000,000 (the "2010 Authorization"), and (b) pay for a portion of the costs of issuance of the Bonds. The 2010F Bonds constitute the sixth issue of bonds under the 2010 Authorization. The Bonds will be issued as current interest bonds. The 2016A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on June 7, 2016, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $72,000,000 (the "2016 Authorization"), and (b) pay for a portion of the costs of issuance of the Bonds. The 2016A Bonds constitute the first issue of bonds under the 2016 Authorization.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2017.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX F—BOOK-ENTRY ONLY SYSTEM. In event that the book-entry system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution as described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about November 29, 2016.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

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 for inspection at the office of the Deputy Superintendent, Administrative Services, Campbell Union School District, 155 North Third Street, Campbell, CA 95008, telephone (408) 364-4200. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the 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.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. 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.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code.

Purposes of Issuance

The 2010F Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2010 Authorization, and (b) pay for a portion of the costs of issuance of the Bonds. The 2010F Bonds constitute the sixth issue of bonds under the 2010 Authorization. The 2016A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2016 Authorization, and (b) pay for a portion of the costs of issuance of the Bonds. The 2016A Bonds constitute the first issue of bonds under the 2016 Authorization. After issuance of the Bonds, $____________ of general obligation bonds will remain to be issued by the District under the 2010 Authorization and $____________ of general obligation bonds will remain to be issued by the District under the 2016 Authorization .See "—Estimated Sources and Uses of Funds."

The District has authorized and issued certain other general obligation bonds. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure—General Obligation Bonds."

Security

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in 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 are required to 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 of and interest on the Bonds when due. The levy may include an allowance for a reserve, established to avoid fluctuations in tax levies. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Debt Service Fund and which is required by the California Education Code to be applied for the payment of principal 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 the County Director of Finance will maintain the Debt Service Fund, the Bonds are a debt of the District, not the County.

Moneys placed in the Debt Service Fund of the District are irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The property taxes and amounts held in the Debt Service Fund of the District shall immediately be subject to this pledge, and the pledge shall constitute a lien and security interest which shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the Owners of the Bonds in addition to the statutory lien in accordance with section 53515(a) of the California Government Code, and the Bonds were issued to finance one or more projects and not to finance the general purposes of the District.

In accordance with section 53515(a) of the California Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the 2013 Authorization. The lien shall automatically attach without further action or authorization by the District or the County. The lien shall be valid and binding from the time the Bonds are issued and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by County, through the County Director of Finance, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) 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 annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding 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 "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Description of the Bonds

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. Beneficial Owners will not receive physical certificates representing their interest in the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

Interest on the Bonds accrues from their date of delivery and is payable semiannually on each Interest Payment Date. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest 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 Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2017, in which event it will bear interest from its date of delivery.

The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such Interest Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "BOOK ENTRY ONLY SYSTEM."

See the maturity schedule on the cover page hereof and "Debt Service Schedule."

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will 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. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, _____, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, _____, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, _____, from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption date; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, will be 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 as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Defeasance

Discharge of Resolution. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable under the Resolution by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and all covenants, agreements and other obligations of the District under the Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution, to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited in trust with an escrow holder as aforesaid for such payment, provided further, however, that the provisions of the Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust with an escrow holder money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of the Resolution, any moneys held by an escrow holder in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the Resolution, and all liability of the escrow holder with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the 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 will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolutions. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District 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 either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment 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.

Estimated Sources and Uses of Funds

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

Sources of Funds:	2010F Bonds	2016A Bonds	Total Bonds
Principal Amount of Bonds			
Plus: Net Original Issue Premium			
Total Sources of Funds			
Uses of Funds:			
Deposit to Building Fund			
Deposit to Debt Service Fund			
Costs of Issuance [1]			
Total Uses of Funds			

[1] Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, municipal advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Financing Plan

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the Debt Service Fund of the District within the County Treasury. All funds held in the Debt Service Fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer shall be invested at the County Treasurer's discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California. The County Treasurer's Office neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds. See "COUNTY POOLED INVESTMENT FUND."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Account") and used to pay costs associated with the issuance of the Bonds.

Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Bond Year Ending	2010F Bonds			2016A Bonds			
September 1	Principal	Interest (1)	Total	Principal	Interest (1)	Total	Total
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
2045							
2046							
TOTAL							

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2017.

PAYING AGENT

U.S. Bank National Association, San Francisco, California, will act as the paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests for the Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

THE DISTRICT

General Information

The District provides public education in kindergarten through grade 8 to the residents of the City of Campbell, and portions of the town Los Gatos and the cities of Monte Sereno, San José, Santa Clara, and Saratoga, in the County. The District operates nine elementary schools, three middle schools, and a community day school. The District was formed in 1921. The District is located in a primarily residential suburb in the southwest corner of "Silicon Valley," approximately six miles from the City of San José, the County seat. The District is served by interstate highways 280 and 17.

The District is unusual among California school districts in that it operates only one regular District school and directly operates eleven "dependent" charter schools. The District operates under the jurisdiction of the County Superintendent of Schools.

Governing Board and Administration

The District is governed by a five-member Governing Board, each member of which is elected to a four-year term. Elections for positions to the Governing Board are held every two years, alternating between two and three available positions.

Governing Board Member	Office	Current Term Expires (December)
Thomas M. Gemetti	President	2018
Michael L. Snyder	Vice President	2020
Richard H. Nguyen	Clerk	2018
Pablo A. Beltran	Member	2020
Danielle M.S. Cohen	Member	2018

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Eric Andrew.

SECURITY AND SOURCE OF PAYMENT FOR THE 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.

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Debt Service Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District, which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX B--"DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and "–2016-17 State Budget Provisions

Specific to K thru 12 Education" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 53% of its total general fund operating revenues from local property taxes in fiscal year 2015-16, excluding parcel tax revenues.

Local property taxation is the responsibility of various County officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the County auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the County) to the County Board of Supervisors for approval. The County Director of Finance prepares and mails tax bills to taxpayers and collects the taxes according to the approved tax rolls. In addition, the Director of Finance, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIIA of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See APPENDIX B-DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.

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

Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The table below shows the assessed valuation of taxable property in the District for the five most recent fiscal years.

HISTORIC ASSESSED VALUATIONS
Fiscal Years 2012-13 to 2016-17

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2012-13	$ 14,054,692,122	$ 145,750	$ 613,383,636	$ 14,668,221,508
2013-14	15,384,958,435	145,750	602,077,958	15,987,182,143
2014-15	16,518,705,463	172,250	636,573,749	17,155,451,462
2015-16	17,606,138,125	172,250	637,692,536	18,244,002,991
2016-17	18,968,801,882	172,250	698,989,821	19,667,963,953

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

The following table shows the 2016-17 assessed valuation of each jurisdiction within the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2016-17

Jurisdiction	Assessed Value in District	% of District	Assessed Value of Jurisdiction	% of Jurisdiction In District
City of Campbell	$ 6,068,925,862	30.86%	$ 8,858,256,103	68.51%
Town of Los Gatos	1,641,570,449	8.35	11,544,997,211	14.22
City of Monte Sereno	133,482,399	.68	1,958,060,287	6.82
City of San Jose	9,279,413,676	47.18	160,547,694,108	5.78
City of Santa Clara	831,610,573	4.23	36,638,297,227	2.27
City of Saratoga	1,326,913,509	6.75	13,670,793,906	9.71
Unincorporated Santa Clara County	386,047,485	1.96	16,082,334,583	2.40
Total District	19,667,963,953	100.00		
Santa Clara County	19,667,963,953	100.00	418,872,247,147	4.70

Source: California Municipal Statistics, Inc.
(1) Before deduction of redevelopment incremental valuation.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2016-17

	2016-17 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non Residential:				
Agricultural	$ 1,793,505	.01%	9	.04%
Commercial/Office	3,709,891,368	19.56	1,194	4.73
Industrial	435,067,642	2.29	315	1.25
Recreational	5,034,754	.03	9	.04
Government/Social/Institutional	127,079,447	.67	98	.39
Miscellaneous	52,966,432	.28	115	.46
Subtotal Non-Residential	4,331,833,148	22.84	1,740	6.89
Residential:				
Single Family Residence	9,182,723,633	48.41	15,220	60.25
Condominium/Townhouse	2,668,015,892	14.07	5,789	22.92
Mobile Home	7,741,711	.04	96	.38
2-4 Residential Units	850,529,367	4.48	1,503	5.95
5+ Residential Units/Apartments	1,835,971,465	9.68	490	1.94
Subtotal Residential	14,544,982,068	76.68	23,098	91.44
Vacant Parcels	91,986,666	.48	422	1.67
Total	18,968,801,882	100.00	25,260	100.00

Source: California Municipal Statistics, Inc.
(1) Total Secured Assessed Valuation, excluding tax-exempt property.

The following table shows the assessed valuations of single-family homes for the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2016-17

	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	15,220	$ 9,182,723,633	$ 603,333	$ 540,771

2016-17 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	2,079	13.660%	13.660%	$ 147,988,851	1.612%	1.612%
$100,000 - $199,999	1,339	8.798	22.457	192,816,839	2.100	3.711
$200,000 - $299,999	1,203	7.904	30.361	300,583,448	3.273	6.985
$300,000 - $399,999	1,379	9.060	39.422	483,240,199	5.262	12.247
$400,000 - $499,999	1,176	7.727	47.148	528,564,965	5.756	18.003
$500,000 - $599,999	1,133	7.444	54.593	624,621,074	6.802	24.805
$600,000 - $699,999	1,373	9.021	63.614	893,143,285	9.726	34.532
$700,000 - $799,999	1,320	8.673	72.286	990,196,242	10.783	45.315
$800,000 - $899,999	1,176	7.727	80.013	996,906,097	10.856	56.171
$900,000 - $999,999	832	5.466	85.480	786,107,795	8.561	64.732
$1,000,000 - $1,099,999	540	3.548	89.028	565,924,001	6.163	70.895
$1,100,000 - $1,199,999	321	2.109	91.137	368,046,818	4.008	74.903
$1,200,000 - $1,299,999	245	1.610	92.746	305,728,363	3.329	78.232
$1,300,000 - $1,399,999	224	1.472	94.218	301,586,481	3.284	81.517
$1,400,000 - $1,499,999	172	1.130	95.348	248,876,452	2.710	84.227
$1,500,000 - $1,599,999	154	1.012	96.360	238,970,679	2.602	86.829
$1,600,000 - $1,699,999	86	.565	96.925	141,585,084	1.542	88.371
$1,700,000 - $1,799,999	100	.657	97.582	174,756,685	1.903	90.274
$1,800,000 - $1,899,999	71	.466	98.049	131,151,991	1.428	91.703
$1,900,000 - $1,999,999	65	.427	98.476	126,461,998	1.377	93.080
$2,000,000 and greater	232	1.524	100.000	635,466,286	6.920	100.000
Total	15,220	100.000		9,182,723,633	100.000	

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

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District for the past five fiscal years. TRA 10-005 comprises approximately 15.8% of the total assessed value of property in the District. TRA 17-021 comprises approximately 20.4% of the total assessed value of property in the District.

TYPICAL *AD VALOREM* TAX RATES
Fiscal Years 2012-13 to 2016-17

Total Tax Rates (TRA 10-005 – 2016-17 Assessed Valuation: $ 3,118,357,916)

	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement	.0388	.0388	.0388	.0388	.0388
County Hospital Bonds	.0051	.0035	.0091	.0088	.0086
County Library Retirement	.0024	.0024	.0024	.0024	.0024
Campbell Union School District Bonds	.0552	.0552	.0552	.0552	.0552
Campbell Union High School District Bonds	.0325	.0290	.0284	.0257	.0252
West Valley-Mission Community College District	.0289	.0255	.0120	.0232	.0196
Total All Property	1.1629	1.1544	1.1459	1.1541	1.1498
Santa Clara Valley Water District – State Water Project	.0069	.0070	.0065	.0057	.0086
Total Land Only	.0069	.0070	.0065	.0057	.0086

Typical Total Tax Rates (TRA 17-021 – 2016-17 Assessed Valuation: $ 4,025,787,466)

	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement	.0388	.0388	.0388	.0388	.0388
County Hospital Bonds	.0051	.0035	.0091	.0088	.0086
Campbell Union School District Bonds	.0552	.0552	.0552	.0552	.0552
Campbell Union High School District Bonds	.0325	.0290	.0284	.0257	.0252
West Valley-Mission Community College District	.0289	.0255	.0120	.0232	.0196
City of San Jose	.0316	.0279	.0253	.0223	.0207
Total All Property	1.1921	1.1799	1.1688	1.1740	1.1681
Santa Clara Valley Water District – State Water Project	.0069	.0070	.0065	.0057	.0086
Total Land Only	.0069	.0070	.0065	.0057	.0086

Source: California Municipal Statistics, Inc.
(1) Last available data.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District for the past five fiscal years.

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2011-12 to 2015-16

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent June 30
2011-12	7,326,338	82,453	1.13%
2012-13	Not Available	Not Available	.73
2013-14	9,592,656	89,662	.93
2014-15	9,061,841	69,958	.77
2015-16	9,731,086	49,631	.51

Source: California Municipal Statistics, Inc.
(1) District's bond debt service levy only.

Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies, including for the Bonds. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The County cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2016-17, representing 14.2% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2016-17

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total[(1)]
1.	FRIT San Jose Town & Country Village LLC	Shopping Center & Apartments	$ 595,647,651	3.14%
2.	VF Mall LLC	Shopping Center	498,967,183	2.63
3.	CFEP Pruneyard LLC	Shopping Center	264,186,935	1.39
4.	Ebay Realty Trust	Office Building	160,149,837	.84
5.	SI 32 LLC	Apartments	143,442,269	.76
6.	Legacy III Campbell LLC	Office Building	140,308,195	.74
7.	Southwest Expressway Investors I Ltd.	Apartments	112,549,348	.59
8.	Campbell Apartments Properties LLC	Apartments	92,189,441	.49
9.	CRP Vasona LLC	Office Building	85,280,998	.45
10.	Kimberly Woods REIT Inc.	Apartments	62,065,368	.33
11.	Val-Fair Shopping Center	Shopping Center	60,518,042	.32
12.	San Jose Water Works	Water Company	60,048,484	.32
13.	Sobrato Development Co. No. 940 LLC	Apartments	59,441,917	.31
14.	Hamilton Plaza Investors LLC	Shopping Center	55,083,192	.29
15.	Marc W. Buzolich, Trustee	Shopping Center	53,841,146	.28
16.	Bay Apartment Communities Inc.	Apartments	53,640,981	.28
17.	Reserve REIT Inc.	Apartments	50,926,289	.27
18.	Knowles Los Gatos LLC	Industrial	49,917,644	.26
19.	Grosvenor USA Ltd.	Office Building	48,995,116	.26
20.	Orchard Glen Apartments	Apartments	48,136,103	.25
	Total Top 20		$2,695,336,139	14.21%

Source: California Municipal Statistics, Inc.
(1) 2016-17 Local secured assessed valuation: $18,968,801,882.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of November 1, 2016, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

CAMPBELL UNION SCHOOL DISTRICT

2016-17 Assessed Valuation: $19,667,963,953

	% Applicable	Debt 11/1/16
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Santa Clara County	4.695%	$ 36,848,473
West Valley-Mission Community College District	16.244	66,360,959
Campbell Union High School District	46.073	63,532,363
Campbell Union School District	**100.000**	**153,299,080**(1)
City of San Jose	5.780	20,948,454
City of Saratoga	9.706	930,320
Mid-Peninsula Regional Open Space District	1.267	560,331
Santa Clara Valley Water District Flood Control Benefit Assessment District	4.695	4,650,867
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		347,130,847
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	4.695	31,338,708
Santa Clara County Pension Obligation Bonds	4.695	17,018,011
Santa Clara County Board of Education Certificates of Participation	4.695	299,541
Santa Clara County Vector Control District Certificates of Participation	4.695	135,686
West Valley-Mission Community College District General Fund Obligations	16.244	10,349,865
Campbell Union High School District Certificates of Participation	46.073	6,986,970
Campbell Union School District General Fund Obligations	**100.000**	**3,265,000**
City of Campbell Certificates of Participation	68.512	5,964,547
City of San Jose Certificates of Participation	5.780	35,525,903
City of Santa Clara General Fund Obligations	2.270	490,456
Mid-Peninsula Regional Open Space District General Fund Obligations	1.267	1,420,860
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		112,795,547
Less: Santa Clara County supported obligations		19,669,548
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		93,125,999
OVERLAPPING TAX INCREMENT DEBT:		14,350,938
GROSS COMBINED TOTAL DEBT		474,277,332(2)
NET COMBINED TOTAL DEBT		454,607,784

Ratios to 2016-17 Assessed Valuation:
Direct Debt ($153,299,080) 0.78%
Total Direct and Overlapping Tax and Assessment Debt 1.76%
Combined Direct Debt ($156,564,080) 0.80%
Gross Combined Total Debt... 2.41%
Net Combined Total Debt.. 2.31%

Ratios to Redevelopment Incremental Valuation ($688,333,338):
Total Overlapping Tax Increment Debt 2.08%

Source: California Municipal Statistics, Inc.
(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

COUNTY POOLED INVESTMENT FUND

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.

General. Under the California Education Code, the District is required to deposit all monies received from any source into the County Treasury to be held on behalf of the District. The County maintains a written policy (the "Investment Policy") with respect to the investment of public funds which provides a means to implement the basic objectives of its investment program pursuant to California Code Section 53630. The objective of the Investment policy is to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. The County's Investment Policy is reviewed and adopted by resolution by the County Board of Supervisors on an annual basis.

County Treasury Pool. The daily investment of funds has been delegated to the County Treasurer/Tax Collector ("Treasurer") pursuant to Government Code section 53635 and by ordinance of the County Board of Supervisors. According to the Investment Policy, the primary objective of the investment of short term operating funds is to maintain the principal of such funds (safety) in investment vehicles which are easily converted to cash (liquidity) while obtaining a competitive market rate of return (yield) for the risk taken at the time of investing.

Safety of principal. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses do not exceed the income generated from the remainder of the portfolio.

Liquidity. The investment portfolio shall remain sufficiently liquid to enable the depositors to meet all expenditure requirements that might be reasonably anticipated. A minimum of 30% of the invested assets, including cash held in commercial bank accounts, shall be kept in overnight liquid assets. In the event that unforeseen cash-flow fluctuations temporarily cause the ratio of overnight liquid assets to decline below 30% of the portfolio balance, no new investments will be made until the minimum ratio is restored.

Return on Investment. The County's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and the cash flow characteristics of the portfolio.

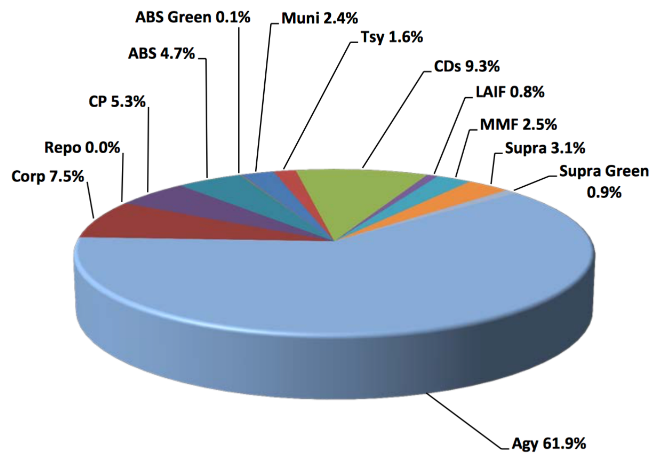
The table below shows the investments held in the County Pool, as of September 30, 2016

Santa Clara County Commingled Pool

Allocation by Security Types

September 30, 2016

Sector	9/30/2016	6/30/2016	% Chng
Federal Agencies	61.90%	54.12%	7.8%
Corporate Bonds	7.49%	5.25%	2.2%
Repurchase Agreements	0.00%	1.60%	-1.6%
Commercial Paper	5.30%	6.45%	-1.2%
ABS	4.70%	3.18%	1.5%
ABS Green Bonds	0.08%	0.06%	0.0%
Municipal Securities	2.36%	1.92%	0.4%
U.S. Treasuries	1.58%	1.84%	-0.3%
Negotiable CDs	9.33%	12.85%	-3.5%
LAIF	0.79%	0.64%	0.1%
Money Market Funds	2.50%	9.49%	-7.0%
Supranationals	3.09%	1.88%	1.2%
Supranationals Green Bonds	0.88%	0.72%	0.2%
Total	100.00%	100.00%	



Sector	9/30/2016	6/30/2016
Federal Agencies	3,149,653,321	3,389,397,286
Corporate Bonds	381,271,844	328,843,317
Repurchase Agreements	-	100,000,000
Commercial Paper	269,530,923	404,074,846
ABS	238,944,274	198,856,945
ABS Green Bonds	3,999,816	3,999,803
Municipal Securities	120,037,197	120,216,490
U.S. Treasuries	80,370,309	115,454,789
Negotiable CDs	475,001,146	805,002,157
LAIF	40,170,096	40,115,520
Money Market Funds	127,035,603	594,209,169
Supranational	157,443,454	117,452,209
Supranationals Green Bonds	45,000,000	45,000,000
Total	5,088,457,982	6,262,622,531

Amounts are based on book value

LEGAL MATTERS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the District. Certain matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX D—FORMS OF OPINIONS OF BOND COUNSEL.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, San Francisco, California ("PFM"), is an independent financial advisory firm registered as a "Municipal Advisor" with the Securities Exchange Commission and

Municipal Securities Rulemaking Board. PFM does not underwrite, trade or distribute municipal or other public securities. PFM has assisted the District in connection with the planning, structuring, sale and issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by PFM. The fees of PFM in respect to the Bonds are contingent upon their sale and delivery.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2015-16 fiscal year which is due no later than March 31, 2017, and to provide notices of the occurrence of certain events listed in the District's Continuing Disclosure Certificate, the form of which is in APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"), by posting on the MSRB's Electronic Municipal Market Access or "EMMA" system (website: www.emma.msrb.org). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

Within the past five years, the District has not materially failed to file in a timely manner the annual reports required in connection with its prior continuing disclosure undertakings. Over the last five years, certain of the District's annual reports did not include information on the District's ten largest taxpayers and the District failed to file certain notices of listed events related to bond insurer rating changes in a timely manner. The District has now filed information on the ten largest taxpayers and bond insurer rating changes for completeness. Identification of the foregoing instances of potential non-compliance is not intended and should not be construed as a representation that such instances are material. The District has retained Public Financial Management to serve as dissemination agent moving forward.

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 California Government Code, are eligible for security for deposits of public moneys in California.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to the Underwriter 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 contesting the District's ability to issue and retire the Bonds.

RATINGS

Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P") have assigned the ratings of "______" and "______," respectively, to the Bonds. Such ratings reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from such organizations. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody's or S&P if, in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Moody's and S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to Moody's and S&P, their websites and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

Following a competitive sale, the Bonds were purchased by ____________ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $____________ (being equal to the aggregate principal amount of the Bonds ($____________), plus an original issue premium of $____________, less an Underwriter's discount of $____________). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution, the Continuing Disclosure Certificate of the District 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 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 Board.

CAMPBELL UNION SCHOOL DISTRICT

By ____________________________________

Dr. Eric Andrew,
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The County. The District is located in Santa Clara County. Santa Clara County (the "County") covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, twenty miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley". Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

The County has been steadily growing for the last two decades. According to the U.S. Census Bureau, the population of the County has grown more than 25 percent since 1990. It is the sixth most populated county in California. Santa Clara County is home to nearly 5 percent of the State's population. There are 15 incorporated cities located in the County and over 95 percent of the County residents live in those cities. The County seat is located in San Jose, which is the largest city in the Bay Area. San Jose is also the third largest city in California, and the tenth largest city in the country.

The County operates under a Home Rule Charter adopted by the voters of the County. Policy making and legislative authority is vested in the County Board of Supervisors (the "Board"), which consists of an elected supervisor from each of the County's five districts. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the County Executive and certain non-elected department heads. Supervisors are elected to four-year staggered terms. The County, with over 15,000 full-time equivalent employees, provides a full range of services to its residents.

Population

The table below summarizes population of the County and the State of California for the last five years.

SANTA CLARA COUNTY AND CALIFORNIA
POPULATION

Year	Santa Clara County	State of California
2012	1,828,496	37,881,357
2013	1,856,194	38,239,207
2014	1,879,813	38,567,459
2015	1,903,974	38,907,642
2016	1,927,888	39,255,883

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark.

Employment

The following table summarizes the historical numbers of workers by industry in the County for the last five years:

SANTA CLARA COUNTY
LABOR FORCE AND INDUSTRY EMPLOYMENT
(Annual Averages by Industry)

	2011	2012	2013	2014	2015(1)
Total, All Industries	880,500	914,400	950,400	990,900	1,032,200
Total Farm	3,400	3,300	3,300	3,500	3,600
Mining and Logging	200	200	300	300	200
Construction	30,900	33,900	36,400	38,500	42,100
Manufacturing	152,600	153,300	153,100	155,900	159,400
Wholesale Trade	33,600	34,600	35,900	36,100	36,000
Retail Trade	79,700	81,900	82,500	83,900	84,900
Transportation, Warehousing & Utilities	11,800	12,700	13,700	14,400	15,000
Information	51,200	54,100	58,600	66,200	74,700
Financial Activities	32,100	33,000	33,500	34,300	35,000
Professional & Business Services	166,000	177,200	190,100	201,800	214,900
Educational & Health Services	128,600	135,700	142,600	148,700	155,400
Leisure & Hospitality	76,300	81,300	86,300	90,700	94,500
Other Services	24,100	24,400	25,000	26,000	26,700
Government	89,900	88,700	89,000	90,600	89,900

Source: California Employment Development Department, based on March 2015 benchmark.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
(1) Last available full year data.

The following tables summarize historical employment and unemployment for the County, the State of California and the United States for the last five years:

SANTA CLARA COUNTY, CALIFORNIA AND UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2011	Santa Clara County	939,900	852,400	87,400	9.3%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Santa Clara County	959,700	884,300	75,500	7.9
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Santa Clara County	974,200	911,300	62,900	6.5
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Santa Clara County	995,700	944,500	51,200	5.1
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015(2)	Santa Clara County	1,018,400	976,100	42,300	4.2
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	146,411,000	5.3

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2015, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Major Employers

The table below sets forth the ten principal employers of the County in 2015.

SANTA CLARA COUNTY
MAJOR EMPLOYERS

Employer Name	Number of Employees	% of Total County Employment
Apple Computer, Inc.	16,000-23,400	1.61%
County of Santa Clara	16,837	1.70
Cisco Systems Inc.	15,800	1.59
Stanford University	15,053	1.52
Kaiser Permanente	13,500	1.36
Google Inc.	11,000-16,500	1.11
Stanford Healthcare	7,689	.77
Lockheed Martin Space Systems	7,000	.71
Intel Corporation	6,277	.63
City of San Jose	5,759	.58
Total Top 10	87,915	8.86

Source: Santa Clara County CAFR for the Fiscal Year Ended June 30, 2015.

Construction Activity

The following tables reflect the five-year history of building permit valuation for the County:

SANTA CLARA COUNTY
BUILDING PERMITS AND VALUATION
(Dollars in Thousands)

	2011	2012	2013	2014	2015
Permit Valuation:					
New Single-family	$ 366,126	$ 676,168	$ 694,884	$ 594,472	$ 653,970
New Multi-family	315,853	558,544	941,420	1,196,127	706,781
Res. Alterations/Additions	392,229	288,105	423,739	439,747	505,844
Total Residential	1,074,208	1,524,818	2,060,044	2,230,347	1,866,595
Total Nonresidential	1,466,739	1,885,769	6,264,620	2,655,412	3,589,800
Total All Building	2,540,948	3,410,587	8,324,665	4,885,760	5,456,396
New Dwelling Units:					
Single Family	978	141	1,859	1,602	1,710
Multiple Family	2,234	44	6,009	8,310	3,906
Total	3,212	185	7,868	9,912	5,616

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County for the last five available years are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change industry-level data since 2009 is not comparable to that of prior years.

TAXABLE SALES
Santa Clara County
(dollars in thousands)

	2010	2011	2012	2013	2014[1]
Retail and Food Services					
Motor Vehicles and Parts Dealers	$ 2,538,029	$ 2,894,898	$ 3,480,485	$ 4,039,030	$ 3,959,149
Furniture and Home Furnishings Stores	474,002	523,999	573,328	604,982	716,357
Electronics and Appliance Stores	1,355,839	1,459,039	1,487,911	1,362,785	1,411,732
Bldg Mtrl. and Garden Equip. and Supplies	1,245,941	1,316,953	1,406,177	1,574,275	1,757,717
Food and Beverage Stores	984,824	1,022,790	1,066,463	1,110,420	1,169,209
Health and Personal Care Stores	523,221	546,261	591,347	628,733	645,241
Gasoline Stations	2,104,764	2,559,500	2,679,491	2,598,458	2,526,502
Clothing and Clothing Accessories Stores	1,824,590	1,997,291	2,189,462	2,312,465	2,417,856
Sporting Goods, Hobby, Book and Music Stores	644,612	676,571	714,368	711,235	709,433
General Merchandise Stores	2,368,820	2,448,046	2,532,297	2,558,623	2,593,287
Miscellaneous Store Retailers	635,019	675,873	744,431	702,801	746,622
Nonstore Retailers	147,373	182,963	295,853	551,710	587,190
Food Services and Drinking Places	2,848,824	3,097,359	3,355,097	3,669,125	4,031,458
Total Retail and Food Services	17,695,858	19,419,542	21,116,708	22,424,642	23,271,753
All Other Outlets	12,827,464	14,011,675	15,103,737	15,196,964	16,356,902
Totals All Outlets[2]	30,523,322	33,431,217	36,220,445	37,621,606	39,628,655

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Last available full year data.
(2) Totals may not add up due to independent rounding.

Median Household Income

The following table summarizes the total effective buying income and median household effective buying income for the County, the State of California and the nation for the last five years.

SANTA CLARA COUNTY, CALIFORNIA AND UNITED STATES MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	Area	Total Effective Buying Income (000's Omitted)	Median Effective Buying Income
2011	Santa Clara County	54,491,135	67,801
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	Santa Clara County	61,464,868	68,852
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	Santa Clara County	61,802,913	70,595
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Santa Clara County	66,130,110	75,008
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

Source: Nielsen, Inc.

APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, 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 of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable solely from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the "Local Control Funding Formula" (the "Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in units of average daily attendance ("ADA"). The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This was referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution. A school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts."

The District had been a revenue limit district. The 2013-14 State budget implemented the new Local Control Funding Formula school funding allocation system. The Local Control Funding Formula replaced revenue limit and most categorical program funding.

The Local Control Funding Formula is also based on enrollment. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and revenue limit per ADA for 2012-13 under the historical funding program and for 2013-14, through 2016-17 under the Local Control Funding Formula.

AVERAGE DAILY ATTENDANCE,
REVENUE LIMIT/LCFF AND ENROLLMENT
Fiscal Years 2011-12 to 2016-17

Fiscal Year	Average Daily Attendance(1)	Revenue Limit/LCFF Revenues(2)	Enrollment(3)
2012-13	7,428	41,979,462	7,701
2013-14	7,416	56,598,241	7,653
2014-15	7,393	60,199,705	7,646
2015-16(4)	7,339	65,702,063	7,600
2016-17(5)	7,209	69,908,058	7,465

Source: Campbell Union School District
(1) Except for fiscal year 2016-17, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09, and discontinued following the implementation of the LCFF.
(3) Except for fiscal year 2016-17, enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(4) Unaudited actuals.
(5) As projected in the District's 2016-17 Budget, adopted June 2, 2016 and revised on December 8, 2016.

District Budget

The District is required by the 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. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

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. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district boards must be notified by September 15 of the county superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For 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. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District's Second Interim Report for fiscal year 2015-16, adopted March 10, 2016, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years. The District adopted its 2016-17 budget on June 2, 2016 and revised its 2016-17 budget on December 8, 2016.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2016-17.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2016-17
(Estimated Actuals)

Fiscal Year	Average Daily Attendance K-3	4-6	7-8	9-12	Total District ADA	Total District Enrollment(2)	% of EL/LI Enrollment(3)
2013-14	3,555	2,419	1,501	-	7,475	7,653	54%
2014-15	3,525	2,459	1,406	-	7,450	7,646	54
2015-16(4)	3,484	2,413	1,442	-	7,339	7,000	53
2016-17(5)	3,404	2,393	1,412	-	7,209	7,465	51

Source: Campbell Union School District
(1) Reflects P-2 ADA.
(2) Reflects CBEDS enrollment.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(4) Unaudited actuals.
(5) As projected in the District's 2016-17 Budget, adopted June 2, 2016 and revised on December 8, 2016.

Accounting Practices

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

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

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

Financial Statements

The District's general fund finances the basic operating activities of the District. 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, 2016, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 155 North Third Street, Campbell, California 95008, telephone number (408) 364-4200. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past Fiscal Years 2012-13 through 2015-16 and budgeted projections for 2016-17.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2012-13 to 2016-17

	Fiscal Year				
	2012-13 Audited	2013-14[(1)] Audited	2014-15[(1)] Audited	2015-16[(1)(2)] Audited	2016-17[(1)(2)] Projected
REVENUES					
Revenue Limit/LCFF Sources[(1)]	41,979,462	56,598,241	60,199,705	67,899,556	69,908,058
Federal Sources	3,186,080	2,825,522	3,253,544	3,228,240	3,544,792
Other State Sources	15,431,965	4,878,258	3,545,866	8,330,747	6,690,561
Other Local Sources	6,714,334	7,247,910	6,371,401	6,458,374	6,916,117
Total Revenues	67,311,841	71,549,931	73,370,517	85,916,917	87,059,529
EXPENDITURES					
Certificated Salaries	34,204,784	35,325,547	36,831,279	38,082,395	40,745,575
Classified Salaries	9,166,754	10,515,280	10,978,830	12,073,145	13,375,212
Employee Benefits	11,408,532	12,318,075	12,744,394	14,775,470	19,440,105
Books and Supplies	3,134,285	3,944,725	4,720,939	5,101,568	6,690,644
Contract Services	6,487,948	7,531,001	7,119,509	6,925,648	8,529,117
Capital Outlay	298,847	244,113	82,324	507,000	980,052
Other Outgo	64,984	373,538	(166,889)	250,343	98,096
Debt Service – Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	64,766,134	70,252,279	72,310,386	77,715,569	89,858,804
Excess (Deficiency) of Revenues over Expenditures	2,545,707	1,297,652	1,060,131	8,201,348	(2,799,275)
OTHER FINANCING SOURCES					
Operating transfers in	275,400	275,400	275,400	96,419	260,000
Operating transfers out	(5,252,630)	(8,900,000)	(300,000)	(10,100,000)	(600,000)
Other sources	-	-	-	-	-
Total financing sources (uses)	(4,977,230)	(8,624,600)	(24,600)	(10,003,581)	(340,000)
Net change in fund balances	(2,431,523)	(7,326,948)	1,035,531	(1,802,233)	(3,139,275)
Fund Balance, July 1	29,532,109	27,100,586	19,773,638	20,809,169	19,006,935
Fund Balance, June 30	27,100,586	19,773,638	20,858,987	19,057,108	15,867,659

Source: Campbell Union School District 2013-2015 audited financial statements and 2016-17 Budget.
(1) Beginning in FY2013-14 the Local Control Funding Formula (LCFF) has replaced the prior revenue limit system of funding.
(2) From the District's 2016-17 Budget, adopted June 2, 2016 and revised on December 8, 2016.

Summary of District Revenues and Expenditures

The District's audited financial statements for the year ending June 30, 2016, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2015-16, the District has budgeted an unrestricted general fund reserve of 3%, or approximately $2,326,471. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of Finance on behalf of the District, pursuant to law and the investment policy of the County. See "COUNTY POOLED INVESTMENT FUND" in the front portion of this Official Statement.

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the School District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment has been calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."
- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

Of the more than $25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding and restoration of categorical funding to pre- recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a "hold harmless" provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2016-17

Grade Levels	2015-16 Base Grants per ADA	2016-17 COLA (1.02%)	Grade Span Adjustments	2016-17 Grant/Adjusted Base Grant per ADA
TK-3	$7,083	-	$737	$7,820
4-6	$7,189	-	—	$7,189
7-8	$7,403	-	—	$7,403
9-12	$8,578	-	$223	$8,801

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. The LCFF replaced most of the State categorical program funding that existed prior to Fiscal Year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts continue to receive restricted State revenues to fund these programs. These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include the California State Lottery
(the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

Other Local Sources. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. Currently the District employs 412.5 full-time equivalent (FTE) certificated employees, 166.9 FTE classified employees, 54.6 management employees and 8.5 confidential employees. There are two formal bargain units operating in the District which are described in the table below.

LABOR ORGANIZATIONS

Labor Organization	FTE Number of Employees In Organization	Contract Expiration Date
Campbell Elementary Teachers Association	412.50	June 30, 2019
California School Employees Association	279.26	June 30, 2019

Source: Campbell Union School District.

2016-17 State Budget

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2016-17 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2016-17 Budget. Governor Edmund G. Brown Jr. signed the fiscal year 2016-17 State budget (the "2016-17 State Budget") on June 27, 2016. The 2016-17 State Budget proposes a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The 2016-17 State Budget projects general fund revenues in the amount of $117 billion in fiscal year 2015-16 and $120 billion in fiscal year 2016-17. According to the 2016-17 State Budget, the primary reason for such additional revenues is the higher forecast for the personal income tax. Under the 2016-17 State Budget, general fund expenditures for fiscal year 2016-17 are $122 billion.

The 2016-17 State Budget focuses new spending on one-time activities, such as repairing and replacing aged infrastructure, building affordable housing, and addressing the effects of the drought. The 2016-17 State Budget begins implementation of raising the state minimum wage to $15 per hour by providing funding for an increase to $10.50 per hour. It implements the managed care financing package passed earlier in 2016, including rate adjustments for community-based providers serving individuals with developmental disabilities.

Rainy Day Fund. The passage of Proposition 2 in 2014 gave the State an opportunity to mitigate the boom-and-bust budget cycles of the past two decades. Recent budget shortfalls had been driven by making ongoing commitments based upon temporary spikes in revenues, primarily from capital gains. Under Proposition 2, spikes in capital gains are used to save money for the next recession and to pay down the state's debts and liabilities. Proposition 2 established a constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund.

The 2016-17 State Budget funded the constitutionally required deposit into the Rainy Day Fund ($1.3 billion) and supplements this with an additional $2 billion deposit—bringing the fund's balance to $6.7 billion in fiscal year 2017-18, or 54 percent of its goal. The 2016-17 State Budget also pays down debts and liabilities by a total of $1.3 billion from Proposition 2 funds.

Education. State funding for education has been at all-time highs since 2012-13 and is expected to grow to $71.9 billion in fiscal year 2016-17, an increase of $24.6 billion in five years (52 percent).

For K-12 schools, funding levels will increase by over $3,600 per student in 2016-17 over 2011-12 levels. This reinvestment has given the state an opportunity to correct historical inequities in school district funding with continued implementation of the Local Control Funding Formula. The 2016-17 State Budget provides $2.9 billion in new funding, bringing the formula's implementation to 96 percent complete.

The 2016-17 State Budget also invests in the State's higher education system to maintain the quality and affordability of one of California's greatest strengths. The 2016-17 State Budget keeps tuition at 2011-12 levels. It also provides significant new one-time and ongoing funds for the University of California and the California State University.

Counteracting the Effects of Poverty. The State has an extensive safety net for the State's neediest residents who live in poverty. Since 2012, the General Fund has incurred new poverty-focused obligations totaling about $20 billion ($10.8 billion of which will be paid for through Proposition 98 funds). The 2016-17 State Budget includes the following new State efforts:

- The implementation of a $10.50 per hour minimum wage beginning on January 1, 2017.
- The first state cost-of-living increase for Supplemental Security Income/State Supplementary Payment (SSI/SSP) recipients since 2005.
- The repeal of the maximum family grant rule in CalWORKs, which denied aid to children who were born while their parents were receiving aid.
- Limiting asset recovery from the estates of deceased Medi-Cal recipients to the extent federally required.

Strengthening Infrastructure. The 2016-17 State Budget includes over $2 billion in funds for various infrastructure improvements, including $1.3 billion General Fund for improving Sacramento office buildings including the State Capitol Annex. The 2016-17 State Budget also includes $688 million ($485 million General Fund) for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities, as well as $270 million in lease-revenue bond authority for local jail facilities.

Reducing the Cost of Housing. The 2016-17 State Budget reflects $3.6 billion in state and federal funding and award authority for various affordable housing and homelessness programs, including increased funding for CalWORKs rapid rehousing and emergency homeless shelters. Of this amount, the Budget sets aside $400 million General Fund for allocation later in the legislative session for affordable housing programs. The funding will be coupled with the Administration's proposed legislation requiring ministerial "by right" land use entitlements for multifamily in infill housing developments that include affordable housing. This will help constrain development costs, improve the pace of housing production, and encourage an increase in housing supply. In addition, legislation will authorize a $2 billion bond from a portion of future Proposition 63 mental health revenues to develop and administer homelessness and affordable housing programs for the mentally ill.

Addressing Climate Change. The California Global Warming Solutions Act of 2006 (AB 32) set California's initial greenhouse gas emission reduction goals, and directed the state to maintain and continue reductions beyond 2020. California adopted several ambitious policies in 2015 that will further advance clean energy reduce greenhouse gas emissions. Over multiple years, the Cap and Trade program will help the state transform its communities—particularly those disadvantaged ones—into innovative, sustainable economic centers.

2016-17 State Budget Provisions Specific to K thru 12 Education

The 2016-17 State Budget includes total funding of $88.3 billion ($51.6 billion General Fund and $36.7 billion other funds) for all K-12 education programs.

Proposition 98. Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

The 2016-17 State Budget includes Proposition 98 funding of $71.9 billion for 2016-17, an increase of $3.5 billion over the 2015-16 State Budget level. When combined with increases of $1.5 billion in 2014-15 and 2015-16 as well as other one-time savings and adjustments in those years, the 2016-17 State Budget provides a $5.9 billion increased investment in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than $21.7 billion, representing an increase of more than $3,600 per student.

The Proposition 98 maintenance factor—an indicator of past reductions made to schools and community colleges—totaled nearly $11 billion as recently as 2011-12. The 2016-17 State Budget reduces this obligation to $908 million.

Significant K-12 Budget Adjustments in the 2016-17 State Budget.

- *Local Control Funding Formula*—An increase of more than $2.9 billion Proposition 98 General Fund to continue the State's landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will bring the formula to 96 percent of full implementation.

- *College Readiness Block Grant*—An increase of $200 million one-time Proposition 98 General Fund for grants to school districts and charter schools serving high school students to provide additional services that support access and successful transition to higher education. These funds can be spent over the next three years. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income, or foster youth, with no school district or charter school receiving less than $75,000. The University of California will work to increase admissions of students who were enrolled in schools in which enrollment of English-learners, low-income students, or foster youth is greater than 75 percent of total enrollment.

- *Teacher Workforce*—A combined increase of $35 million one-time General Fund ($10 million non-Proposition 98 and $25 million Proposition 98) to fund several programs aimed at recruiting additional teachers and streamlining teacher preparation programs:

    - *Integrated Teacher Preparation Grant Program*—An increase of $10 million one-time non-Proposition 98 General Fund for the Integrated Teacher Preparation Grant Program to provide competitive grants to colleges and universities to develop or improve four-year integrated teacher credential programs enabling credential candidates to receive both a teaching credential and a bachelor's degree.

    - *Classified School Employees Credentialing Program*—An increase of $20 million one-time Proposition 98, available for five years, to establish the California Classified School Employees Credentialing Program, and provide grants to K-12 local educational agencies to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers in California public schools.

    - *California Center on Teacher Careers*—An increase of $5 million one-time Proposition 98 General Fund for a multi-year competitive grant to a local educational agency to establish and operate the California Center on Teaching Careers to recruit qualified and capable individuals to the teaching profession. The center will host a referral database for teachers seeking employment, develop and distribute recruitment publications; conduct outreach activities to high school and college students; provide statewide public service announcements related to teacher recruitment; and provide prospective teachers information on credential requirements, financial aid, and loan assistance programs.

- *Charter School Start Up Grants*—An increase of $20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which will help offset the loss of federal funding previously available for this purpose. These funds will be available for distribution after all current federal funding for startup costs has been exhausted.

- *California Collaborative for Educational Excellence*—An increase of $24 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence to: (1) support statewide professional development training on use of the evaluation rubrics by local educational agencies, and (2) implement a pilot program to inform the Collaborative's long-term efforts related to advising and assisting local educational agencies in improving pupil outcomes. This funding will build local and state capacity to implement a system of continuous improvement in the eight state priority areas upon which the Local Control Funding Formula is based.

- *Multi-Tiered Systems of Support*—An increase of $20 million one-time Proposition 98 General Fund to allow local educational agencies to provide services that assist and encourage multi-tiered systems of supports. These services support academic, behavioral, social, and emotional needs and have been successful in improving outcomes for all students. This funding builds upon the $10 million included in the 2015 Budget Act, which was awarded to the Orange County Office of Education to develop guidance and supportive services for schools statewide in implementing these systems.

- *Restorative Justice Grants*—An increase of $18 million one-time Proposition 98 General Fund for truancy and dropout prevention grants, consistent with Proposition 47, the Safe Neighborhoods and School Act.

- *Safe Drinking Water in Schools*—An increase of $9.5 million one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated and economically disadvantaged areas. The program will be developed and administered by the Water Resources Control Board in consultation with the State Department of Education.

- *K-12 Mandates*—An increase of $1.3 billion one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds, combined with previous years' investments, will substantially reduce outstanding mandate debt owed to schools, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments at the local level. These funds can be used for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

The full summary of the 2016-17 State Budget can be viewed at www.ebudget.ca.gov or www.dof.ca.gov. Such websites are not incorporated herein by reference.

Future State Budgets. The District receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the District has no control.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State 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. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Retirement Programs

Information set forth below regarding the District's retirement programs has been obtained from the District's most recent audited financial statements, included here as APPENDIX C. The information regarding the District's retirement programs are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be constructed as a representation by either the District or the Underwriter.

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California

State Teachers' Retirement System ("CalSTRS"), and classified employees are members of the California Public Employees' Retirement System ("CalPERS").

California State Teachers' Retirement System (CalSTRS)

Plan Description. Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan ("STRP") – a cost-sharing multiple employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report. The information presented on such website, however, is not incorporated herein by reference.

Benefits Provided. The STRP Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60 (certified employees hired on or before December 31, 2012) - Eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62 (certified employees hired on or after January 1, 2013) - Eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings for fiscal year 2015-16.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

CALSTRS
EMPLOYER CONTRIBUTION RATE SUMMARY
Fiscal Years 2013-14 to 2046-47

Fiscal Year	Prior Rate	Increase	Total
FY2014-15	8.25%	2.48%	10.73%
FY2015-16	8.25	4.33	12.58
FY2016-17	8.25	6.18	14.43
FY2017-18	8.25	8.03	16.28
FY2018-19	8.25	9.88	18.13
FY2019-20	8.25	10.85	19.10
--	--	--	--
FY2046-47	8.25	n/a(1)	

Source: CALSTRS
(1) Increase from prior rate ceases in fiscal year 2046-47.

The District contributed $4,035,819 to the plan for the fiscal year ended June 30, 2016.

State – 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the State was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the State contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046- 2047.

The CalSTRS State contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

CALSTRS
STATE CONTRIBUTION RATE SUMMARY
Fiscal Years 2013-14 to 2046-47

Effective Date	Prior Rate	AV 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
FY2014-15	2.017%	2.874%	2.50%	7.391%
FY2015-16	2.017	4.311	2.50	8.828
FY2016-17 to FY2045-46	2.017	4.311[1]	2.50[1]	8.828[1]
FY2046-47 and thereafter	2.017	-	2.50[1]	4.571[1]

Source: CALSTRS

(1) The new legislation also gives CalSTRS limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to O percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016 the District reported a liability of $52,477,611 for its proportionate share of the net pension liability for CalSTRS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2016, the District's proportion of contributions was 0.07795 percent.

For the year ended June 30, 2016, the District recognized pension expense of $4,212,916. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CALSTRS
DEFERRED FLOW OF RESOURCES
Fiscal Year 2015-16

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual earnings on plan investments	$ -	$ 4,277,778
Net change in portionate share of net pension liability	-	478,842
Net differences between projected and actual experience	-	876,913
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	4,035,819	-
Total	4,035,819	5,633,533

Source: Campbell Union School District 2015-16 Audited Financial Statements.

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015. The CalSTRS net pension liability as of June 30, 2015 and the CalSTRS net pension liability as of June 30, 2016 are based on the June 30, 2014 actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Additional Information Concerning CalSTRS, Actuarial Methods and Assumptions, Discount Rate. For information concerning CalSTRS, descriptions of the actuarial methods and assumptions, and an explanation of the discount rate used by CalSTRS please See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016, Note 13.

California Public Employees' Retirement System (CalPERS)

Plan Description. The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf. The information presented on such website, however, is not incorporated herein by reference.

Benefits Provided. The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions. The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $1,698,474 to the plan for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of $12,876,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2016, the District's proportion was 0.11632 percent.

Additional Information Concerning CalPERS, Actuarial Methods and Assumptions, Discount Rate. For information concerning CalPERS, descriptions of the actuarial methods and assumptions, and an explanation of the discount rate used by CalPERS please See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016, Note 13.

Recent Actions by CalPERS. On February 14, 2012, the CalPERS Board of Administration voted to reduce its discount rate, which is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of CalPERS member state and schools employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of CalPERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning fiscal year 2013-14.

The CalPERS Board adjustment has been undertaken in order to address underfunding of the CalPERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of CalPERS liabilities will be in the future, or the amount of the CalPERS contributions which the District may be required to make.

At its April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy were used for the first time in the June 30, 2013 actuarial valuations. These valuations were performed in the fall of 2014 and set employer contribution rates for the fiscal year 2015-16.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year.

According to CalPERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.

- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to CalPERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.
- Local agencies' plans will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs being shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time.

The reporting requirements under GASB No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014. In order to record the District's proportionate share of net pension liability in accordance with GASB No. 68, there was a restatement to the beginning net position of Governmental Activities. See Note 1: SIGNIFICANT ACCOUNT POLICIES—Implementation of New Accounting Pronouncements in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, except the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Postemployment Benefits Other Than Pension Benefits

Plan Description. The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Campbell School District. The Plan provides health care benefits insurance benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Membership of the Plan consists of 69 retirees currently receiving benefits and 752 active plan members. Board restricted amount of the plan is presented in these financial statements as the Retiree Benefits Trust Fund. The over funded portion of annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term assets.

Contribution Information. The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on negotiated benefits caps with no future increases in the caps and with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2015-2016, the District contributed $1,334,119 to the plan of which $1,007,019 was deposited in the irrevocable trust and $327,100 was paid for retiree health benefits by the District. Plan members are paid an annual amount equal to $3,250 for premiums incurred by retirees and their dependents for a period of five years or up to ten years.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (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:

OPEB OBLIGATIONS
Fiscal Year 2015-16

Annual required contribution	$ 654,609
Interest on net OPEB obligation	(130,638)
Adjustment to annual required contribution	163,015
Annual OPEB cost (expense)	686,986
Contributions made	(1,334,119)
Increase in net OPEB obligation	(647,133)
Net OPEB obligation, beginning of the year	(1,794,473)
Net OPEB obligation (asset), end of the year	(2,441,606)

Source: Campbell Union School District 2015-16 Audited Financial Statements.

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

HISTORICAL OPEB OBLIGATIONS
Fiscal Years 2012-13 to 2015-16

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
2015-16	686,986	194%	2,441,606
2014-15	332,656	112	1,794,473
2013-14	332,899	233	1,753,130

Source: Campbell Union School District 2015-16 Audited Financial Statements.

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.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016, Note 11.

Risk Management

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with South Bay Area Schools Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Employee Medical Benefits. The District has contracted with the Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process.

Worker's Compensation. The District is self-insured for Workers' Compensation. The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer workers' compensation on a cost reimbursement basis.

For fiscal year 2016, the District participated in the CSAC Excess Insurance Authority, an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority. The workers′ compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CSAC Excess Insurance Authority. Each participant pays its workers′ compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the ″equity-pooling fund″. This ″equity pooling″ arrangement ensures that each participant shares equally in the overall performance of the CSAC Excess Insurance Authority. Participation in the CSAC Excess Insurance Authority is limited to districts that can meet the CSAC Excess Insurance Authority selection criteria.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016, Note 12.

District Debt Structure

General Obligation Bonds. The following table shows all of the District's outstanding general obligation bonds including the Bonds of this issue and the District's $39,980,000 2015 General Obligation Refunding Bonds issued concurrently with the issuance of the Bonds of this issue.

ISSUED AND OUTSTANDING GENERAL OBLIGATION BONDS
Campbell Union School District
As of August 2, 2016

	Date	Series Name	Original Principal Amount	Outstanding Amount as of August 2, 2016
Election of 1994	9/1/1996	Series B	$ 9,997,058	
Election of 2010	9/16/2010	Series A	$ 24,999,924	
	8/1/2011	Series B	22,500,000	
	8/1/2011	Series C	2,499,400	
	4/9/2014	Series D	16,000,000	
	5/5/2015	Series E	15,000,000	
			$ 80,999,324	
Refunding Bonds	3/24/1998	1998 GO Refunding Bonds	$ 17,951,345	
	5/1/2008	2008 GO Refunding Bonds	9,680,000	
	7/19/2011	2011 GO Refunding Bonds	24,550,000	
	5/5/2014	2014 GO Refunding Bonds	4,970,000	
	5/5/2015	2015 GO Refunding Bonds	39,980,000	
			$ 103,356,345	
Total			$202,072,727	

(1) Amount shown is current denominational amount.

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds.

DEBT SERVICE OBLIGATIONS ON
OUTSTANDING GENERAL OBLIGATION BONDS*
Campbell Union School District
As of March 5, 2015

Period Ending (8/1)	Election of 1994 Series B	1998 Refunding Bonds	2008 Refunding Bonds	Election of 2010 Series A	2011 Refunding Bonds	Election of 2010 Series B*	Election of 2010 Series C	Election of 2010 Series D	2014 Refunding Bonds	2015 Refunding Bonds	Election of 2010 Series E	Total
2017	$ 1,195,000	—	$2,436,248	—	$ 2,899,625	$ 1,216,350	—	$ 704,375	$ 363,019	$ 1,991,625	$ 571,250	$ 11,377,492
2018	1,285,000	$4,050,000	23,448	—	1,444,250	1,216,350	—	754,375	365,969	2,110,625	571,250	11,821,267
2019	1,375,000	4,260,000	23,448	—	1,439,850	1,216,350	—	802,875	363,619	2,222,875	571,250	12,275,267
2020	5,950,000	—	23,448	—	1,435,950	1,216,350	—	849,875	361,119	2,306,375	571,250	12,714,367
2021	6,280,000	—	23,448	—	1,588,700	1,216,350	—	893,875	363,469	2,251,875	571,250	13,188,967
2022	—	—	23,448	$ 2,585,280	2,160,500	4,196,350	—	685,875	418,169	2,433,425	571,250	13,074,297
2023	—	—	23,448	2,585,280	2,153,750	4,470,251	—	685,875	415,044	2,382,675	571,250	13,287,573
2024	—	—	23,448	2,585,280	1,913,750	4,520,636	—	685,875	417,619	2,482,425	571,250	13,200,283
2025	—	—	318,448	2,585,280	1,902,000	4,568,317	—	685,875	412,419	2,580,175	571,250	13,623,764
2026	—	—	322,090	2,585,280	2,177,500	4,612,753	—	685,875	413,363	2,680,675	571,250	14,048,786
2027	—	—	—	2,585,280	1,044,000	4,648,405	—	685,875	412,713	4,348,425	571,250	14,295,948
2028	—	—	—	6,195,280	1,739,750	—	—	685,875	411,763	4,459,675	571,250	14,063,593
2029	—	—	—	6,511,730	1,734,000	—	—	685,875	410,513	4,572,925	571,250	14,486,293
2030	—	—	—	6,839,855	1,735,000	—	—	685,875	413,000	4,687,525	571,250	14,932,505
2031	—	—	—	7,177,455	2,147,250	—	—	685,875	—	4,811,925	571,250	15,393,755
2032	—	—	—	7,532,330	—	—	—	685,875	—	4,935,325	571,250	13,724,780
2033	—	—	—	7,896,730	—	—	—	685,875	—	5,057,325	571,250	14,211,180
2034	—	—	—	8,278,350	—	—	—	685,875	—	2,740,975	571,250	12,276,450
2035	—	—	—	8,675,600	—	—	—	685,875	—	3,304,725	571,250	13,237,450
2036	—	—	—	—	—	—	$ 4,695,000	1,435,875	—	—	1,571,250	7,702,125
2037	—	—	—	—	—	—	4,700,000	1,498,375	—	—	1,537,500	7,735,875
2038	—	—	—	—	—	—	4,700,000	1,564,375	—	—	1,503,750	7,768,125
2039	—	—	—	—	—	—	4,700,000	1,566,875	—	—	1,470,000	7,736,875
2040	—	—	—	—	—	—	4,700,000	1,716,875	—	—	1,435,000	7,851,875
2041	—	—	—	—	—	—	—	3,706,875	—	—	3,775,000	7,481,875
2042	—	—	—	—	—	—	—	3,818,750	—	—	3,640,000	7,458,750
2043	—	—	—	—	—	—	—	4,170,000	—	—	3,380,000	7,550,000
Total	$16,085,000	$8,310,000	$3,240,922	$74,619,010	$27,515,875	$33,098,462	$23,495,000	$33,085,625	$5,541,798	$62,361,575	$29,166,250	$316,519,517

*Does not reflect the federal subsidy.

Capital Leases. On November 14, 2012, the District entered into a lease agreement with Public Property Financing Corporation of California maturing on June 1, 2027, under the terms of which the District is leasing certain facilities for a total principal amount of $3,500,000, at an annual interest rate of 2.75%.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal 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.") Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 98, 111, 218 and 39, 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 County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County 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 of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

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 county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Article XIIIB of the California Constitution

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 will 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 certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article 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% 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 will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery, the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District estimates that it received $1,350,000 in Lottery aid in fiscal year 2016-17, representing approximately 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

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

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students who are residents in the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the February 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

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.

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. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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% of the minimum State spending for education mandated by the Accountability Act.

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article 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% 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 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head-of-household filers and over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head-of-household filers and over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for head-of-household filers and over $1,000,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a proposed constitutional amendment initiative that has qualified for the November 8, 2016 general election in California. Proposition 55 would extend the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. Under Proposition 55, the Proposition 30 income tax rate increases on high-income Californians would not expire at the end of 2018, as scheduled under current law. The proposal would extend the income tax rate increases through 2030. Tax revenue received under Proposition 55 would be allocated 89% to K-12 schools and 11% to community colleges. Under the proposed constitutional amendment, the sales tax rate increase under Proposition 30 would not be extended. The District can make no representation as to whether Proposition 55 will be approved.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 4, 2014. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's Budget Stabilization Account (the "Stabilization Account") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a "Supplemental Stabilization Account Transfer") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "Public School System Stabilization Account") into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

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.

California Senate Bill 222

Senate Bill 222 ("SB 222") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 2, 22, 26, 30, 39, 46 and 98 were each adopted as measure that qualified for the State 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.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

2010F BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the
Campbell Union School District
155 North Third Street
Campbell, California 95008

OPINION: $8,000,000* Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series F (2016)

Members of the Governing Board:

We have acted as bond counsel to the Campbell Union School District (the "District") in connection with the issuance by the District of $8,000,000* principal amount of Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series F (2016) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Governing Board of the District on December 8, 2016 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

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* Preliminary, subject to change.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Santa Clara County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

2016A BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the
Campbell Union School District
155 North Third Street
Campbell, California 95008

OPINION: $20,000,000* Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series A (2016)

Members of the Governing Board:

We have acted as bond counsel to the Campbell Union School District (the "District") in connection with the issuance by the District of $20,000,000* principal amount of Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series A (2016) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Governing Board of the District on December 8, 2016 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Santa Clara County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

* Preliminary, subject to change.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the CAMPBELL UNION SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $28,000,000 Campbell Union School District (County of Alameda, California) 2017 General Obligation Bonds, (Series 2010F and Series 2016A Combined Issue) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Governing Board of the District on December 8, 2016 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that 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.

(b) *Change of Fiscal Year*. 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), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. 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.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;

(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and

(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* 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 are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

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

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

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

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

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 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(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The

Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

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

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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(c), 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 10. 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

CAMPBELL UNION SCHOOL DISTRICT

By ______________________________
Authorized Officer

ACKNOWLEDGED:

PFM FINANCIAL ADVISORS LLC, as Dissemination Agent

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Campbell Union School District
Name of Issue:	Campbell Union School District (Santa Clara County, California) 2017 General Obligation Bonds, (Series 2010F and Series 2016A Combined Issue)
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ___________________________

PFM FINANCIAL ADVISORS LLC, as
Dissemination Agent

By _____________________________________
Title ____________________________________

cc: Paying Agent

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 the 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 requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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