

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

New Issue –Book Entry Only
BANK QUALIFIED

Rating: S&P: “_____”
(See “RATING”)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

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LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2013 Lease Revenue Notes
(Mountain House High School Project)

Dated: Date of Delivery

Due: April 1, 2016

Authority for Issuance. The lease revenue notes captioned above (the “Notes”) are being issued under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, a resolution of the Board of Directors of the Authority adopted on March 6, 2013, and a Trust Agreement dated as of April 1, 2013 (the “Trust Agreement”), between the Lammersville Schools Finance Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Purposes. The Notes are being issued by the Authority for the purpose of (i) financing the acquisition and construction of a new high school facility to be owned and operated by the Lammersville Joint Unified School District (the “District”) and (ii) paying the costs of issuing the Notes. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Note Terms. Interest on the Notes is payable on each “Interest Payment Date,” which is defined in the Trust Agreement as April 1 and October 1, commencing October 1, 2013. The Notes will bear interest at the rate set forth on the inside cover of this Official Statement. See “THE NOTES.”

Security. The Notes are payable from and secured by the revenues pledged under the Trust Agreement, consisting primarily of lease payments payable by the District under the Lease Agreement dated as of April 1, 2013, to be entered into between the Authority, as lessor, and the District, as lessee, concurrently with the issuance of the Notes (the “Lease Agreement”). Under the Lease Agreement, the Authority will lease certain property to the District, and the District will make lease payments (the “Lease Payments”) that correspond to interest due on the Notes. The Lease Payments are general unsecured obligations of the District, payable from any legally available source of funds of the District. See “THE LEASED PROPERTY” and “SECURITY FOR THE NOTES.”

Covenant to Refinance the Notes. The Lease Payments are payable in an amount sufficient to provide for payment of interest on the Notes when due, but not payment of the principal of the Notes at maturity. In order to provide for the payment of the Notes at maturity, the Authority has covenanted to institute proceedings no later than January 1, 2016, to refinance the Notes at maturity on April 1, 2016. See “SECURITY FOR THE NOTES – Covenant to Issue Refunding Obligations.”

Redemption. The Notes are subject to optional redemption prior to maturity. See “THE NOTES –Redemption.”

Book-Entry Only System. Purchasers of beneficial interests in the Notes will not receive certificates representing their interest. So long as Cede & Co. is the registered Note owner, as nominee of DTC, references in this Official Statement to the Note owners or Owners means Cede & Co., and not the beneficial owners of the Notes. Payments of principal of and interest on the Notes will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described in this Official Statement. See “THE NOTES – Book-Entry Only System” and “APPENDIX E – DTC and the Book-Entry Only System.”

Limited Obligations. The Notes do not constitute an indebtedness of the Authority, the District, the State of California or any of its political subdivisions or agencies within the meaning of any constitutional or statutory provisions. Neither the faith and credit nor the taxing power of the State of California, nor any of its political subdivisions or agencies, nor the faith and credit of the Authority, is pledged to the payment of the principal or purchase price of or interest on the Notes.

This cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers should read the entire Official Statement to obtain information essential to making an informed decision with respect to an investment in the Notes.

MATURITY SCHEDULE
(See inside front cover)

The Notes are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority and the District by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, for the Authority and the District by Lozano Smith Attorneys At

Law, Sacramento, California, and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Notes will be available for delivery to DTC in New York, New York on or about _____, 2013.

STIFEL

The date of this Official Statement is: _____, 2013

*Preliminary; subject to change.

MATURITY SCHEDULE

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LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2013 Lease Revenue Notes
(Mountain House High School Project)

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP(†)</u>
April 1, 2016					

**Preliminary; subject to change.*

† Copyright 2013, American Bankers Association. CUSIP data in this Official Statement are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Authority, the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations with respect to the Notes other than as 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 Authority 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 in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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 Notes will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement, since the date of this Official Statement.

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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 References and Summaries. All references to and summaries of the Trust Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Notes to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Notes are Exempt from Securities Laws Registration. The issuance and sale of the Notes have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

District Website. The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes.

LAMMERSVILLE SCHOOLS FINANCE AUTHORITY

BOARD OF DIRECTORS

Micaela Vergara, *President*
Sharon Lampel, *Clerk*
Matthew Balzarini, *Member*
Ben Fobert, *Member*
David Pombo, *Member*

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

GOVERNING BOARD

Micaela Vergara, *President*
Sharon Lampel, *Clerk*
Matthew Balzarini, *Member*
Ben Fobert, *Member*
David Pombo, *Member*

DISTRICT ADMINISTRATION

Dale H. Hansen, *Superintendent*
Alvina A. Keyser, *Director of Business Services*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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OFFICIAL STATEMENT

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LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2013 Lease Revenue Notes
(Mountain House High School Project)

INTRODUCTION

This introduction is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained throughout the Official Statement, including its cover page and appendices, and the documents it summarizes or describes. A full review should be made of the entire Official Statement, which is the only means by which the offering of notes is made to potential investors.

Capitalized terms used, but not defined, in this Official Statement have the meanings assigned to them in the Trust Agreement and APPENDIX A.

The purpose of this Official Statement, including its cover page and appendices (the “**Official Statement**”), is to provide certain information concerning the issuance and sale by the Lammersville Schools Finance Authority (the “**Authority**”) of the lease revenue notes captioned above (the “**Notes**”).

Authority for Issuance. The Notes are being issued by the Authority under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “**Bond Law**”); a resolution adopted by the Board of Directors of the Authority on March 6, 2013; a resolution adopted by the Governing Board of the Lammersville Joint Unified School District (the “**District**”) on March 6, 2013; and a Trust Agreement dated as of April 1, 2013 (the “**Trust Agreement**”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). See “THE NOTES – Authority for Issuance.”

Financing Purpose. The Authority is issuing the Notes for the purpose of financing the acquisition and construction of a new high school facility to be owned and operated by the District and known as the Mountain House High School. Proceeds of the Notes will also be used to pay costs of their issuance. See “FINANCING PLAN.”

Description of the Notes

The Notes will be issued in fully registered form without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000. The Notes will be dated their date of delivery (the “**Closing Date**”), mature on April 1, 2016, and be payable solely at maturity. See “THE NOTES – Description of the Notes.”

* Preliminary; subject to change.

Registration. The Notes will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Notes (the “Beneficial Owners”) under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Notes. See “THE NOTES – Book-Entry-Only System.”

Redemption. The Notes are subject to optional redemption prior to maturity. See “THE NOTES –Redemption.”

Security for the Notes. The Notes are secured by a first pledge of and lien on all the “Revenues,” which the Trust Agreement primarily defines as all of the lease payments (the “Lease Payments”) to be made by the District to the Authority under the Lease Agreement dated as of April 1, 2013 (the “Lease Agreement”), between the District and Authority.

Under the Lease Agreement, the Authority will lease the land and improvements constituting the Bethany Elementary School and Questa Elementary School (collectively, the “Leased Property”) to the District, and the District will agree to make lease payments for the use and occupancy of the Leased Property to the Authority that correspond in time and amount to the payments of interest on the Notes. The lease payments are general unsecured obligations of the District that are payable from any legally available source of funds of the District.

Under an Assignment Agreement dated as of April 1, 2013, between the Authority and Trustee (the “Assignment Agreement”), the Authority will assign to the Trustee its right to receive and collect lease payments, in addition to certain other rights, under the Lease Agreement.

See “SECURITY FOR THE NOTES.”

Covenant to Refinance the Notes. The Lease Payments are payable in an amount sufficient to provide for payment of interest on the Notes when due, but not payment of the principal of the Notes at maturity. In order to provide for the payment of the Notes at maturity, the Authority has covenanted in the Trust Agreement to, institute proceedings no later than January 1, 2016, to refinance the Notes at maturity on April 1, 2016. Under the Lease Agreement, the District covenants to pay Lease Payments in an amount equal to regular scheduled installments of debt service on the Notes and any future refunding obligations. See “SECURITY FOR THE NOTES.”

The Authority. The Authority is a joint exercise of powers authority formed under California Government Code Sections 6500 et seq. and a Joint Exercise of Powers Agreement dated as of February 22, 2013, between California Municipal Finance Authority and the District. See “THE AUTHORITY.”

The District. The District was established in 1876 and is located in the western portion of San Joaquin County (the “County”). It serves approximately 2,300 students and currently operates three elementary (K-8) schools. See “THE DISTRICT.”

Tax Matters. In the opinion of Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Notes is excluded

from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

FINANCING PLAN

General. The Authority is issuing the Notes for the purpose of assisting the District in financing the "**Project**," which is defined in the Trust Agreement as the acquisition, construction, furnishing and equipping of the Mountain House High School, including utilities, landscaping, equipment, and other incidental and related facilities and improvements whether situated at such location or elsewhere.

Proceeds of the Notes will also be used to pay their costs of issuance.

Estimated Sources and Uses of Funds. The estimated sources and uses of funds relating to the Notes are shown below.

Sources:

Principal Amount of Notes

Total Sources

Uses:

Deposit to Project Fund

Deposit to Costs of Issuance Fund [1]

Underwriter's Discount

Total Uses

[1] Includes the costs and fees of Bond Counsel, Disclosure Counsel, and the Trustee; rating agency fees; printing costs; and other miscellaneous costs of issuance.

THE LEASED PROPERTY

Lease and Lease-Back Financing Structure. The District and Authority will enter into a Site Lease dated as of April 1, 2013 (the “**Site Lease**”), between the District as lessor and Authority as lessee.

Under the Site Lease, the District will lease to the Authority the real property constituting the Leased Property. The purpose of the Site Lease is to enable the Authority to lease the Leased Property back to the District under the Lease Agreement. The District is authorized to enter into this lease and lease-back arrangement under the provisions of Section 17456 of the California Education Code.

Term. The terms of the Site Lease and Lease Agreement extend to the date on which bonds, notes or other obligations issued by the Authority for the purpose of refunding the Notes have been discharged in full in accordance with the documents authorizing their issuance (unless the term is extended or sooner terminated as provided therein); however, the terms of the Site Lease and Lease Agreement may not extend beyond April 1, 2053.

The Leased Property. The Leased Property consists of the facilities described below.

Bethany Elementary School. Bethany Elementary School is located at 570 Escuela Drive, Mountain House, California. The school contains approximately 61,000 square feet on a 16.6 acre site, and includes 32 classrooms, a multi-purpose room, kitchen, library and administrative support space. It serves approximately 734 students in kindergarten through grade 8 and was opened in September 2007.

Questa Elementary School. Questa Elementary School is located at 685 North Montebello Street, Mountain House, California. The school contains approximately 81,000 square feet on an approximately 16.21 acre site, and includes 41 classrooms, a gym, lunch facility, library and administrative support space. It serves approximately 780 students in kindergarten through grade 8 and was opened in August 2010.

Value of Property. Although the District has not undertaken an appraisal of the Leased Property, based on current District estimates, the total property replacement cost of Bethany Elementary School is approximately \$14.5 million, and the total property replacement cost of Questa Elementary School is approximately \$24.1 million. The District has determined that the useful life of the Leased Property extends at least to April 1, 2053.

In the Lease Agreement, the District and Authority agree and determine that the total Lease Payments and Additional Payments do not exceed the fair rental value of the Leased Property.

Substitution, Modification and Release of Property. Under the Lease Agreement, the District has the right to substitute other land and improvements for the Leased Property, modify the Leased Property, and release land and improvements from the Lease Agreement, upon satisfaction of certain conditions as set forth in the Lease Agreement. In order to substitute or release property, the District must certify in writing to the Authority and the Trustee that the estimated value and the estimated fair rental value of the property that remains subject to the Lease Agreement is at least equal to the then-outstanding principal amount of the Notes. See “APPENDIX A – Summary of Principal Legal Documents – Lease Agreement – Substitution of Property” and “Lease Agreement – Release of Property.”

THE NOTES

This section provides summaries of the terms of the Notes and certain provisions of the Trust Agreement. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The Notes are being issued by the Authority under the Bond Law, a resolution adopted by the Board of Directors of the Authority on March 6, 2013, a resolution adopted by the District Board on March 6, 2013, and the Trust Agreement.

Description of the Notes

Form of the Notes; Maturity Date; Denomination. The Notes will be issued as current interest notes, in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Notes will be dated as of the Closing Date, and will mature on April 1, 2016.

Calculation and Payment of Interest. The Notes will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the annual rate shown on the inside cover of this Official Statement.

Interest on the Notes is payable on each "**Interest Payment Date**," which is defined in the Trust Agreement as April 1 and October 1, commencing October 1, 2013.

The Trustee will pay interest on the Notes by check of the Trustee mailed by first class mail, postage prepaid, to the Owners of the Notes at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Notes in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the Record Date for the Notes, the Trustee will pay interest on the Notes by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trust Agreement defines "**Record Date**" to mean, with respect to a date on which interest is payable on the Notes, the 15th calendar day of the month preceding such date, whether or not such day is a Business Day.

Payment of Principal. The Trustee will pay principal of the Notes in lawful money of the United States of America by check of the Trustee upon presentation and surrender at the Office of the Trustee.

As long as Cede & Co. is the registered owner of the Notes, as described below, payments of the principal of and interest on the Notes will be made directly to DTC, or its nominee, Cede & Co.

Redemption

Optional Redemption. The Notes are subject to redemption prior to maturity on any date, at a redemption price equal to the outstanding proposed amount plus interest accrued to the redemption date, without premium.

The Authority must give the Trustee written notice of its intention to redeem Notes, and (if a partial redemption) the manner of selecting the Notes for redemption, in sufficient time to enable the Trustee to give notice of the redemption in accordance with the notice provisions set out below. For purposes of the selection, the Trustee will treat each Note as consisting of separate \$5,000 portions, with each portion being subject to redemption as if it were a separate Note.

Redemption Notice. The Trustee will mail notice of redemption of the Notes by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Notes designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board.

Each notice of redemption will state its date, the redemption date, the place or places of redemption, whether less than all of the Notes are to be redeemed, the CUSIP numbers and (in the event that not all Notes are called for redemption) Note numbers of the Notes to be redeemed, and (in the case of Notes to be redeemed in part only) the respective portions of the principal amount thereof to be redeemed. Each such notice will also (i) state that on the redemption date there will become due and payable on each of the Notes its redemption price and, from and after such redemption date, interest will cease to accrue and (ii) require that the Notes be then surrendered.

Neither the failure to receive nor any defect in any notice will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

However, while the Notes are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Notes to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Notes to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Trust Agreement.

Rescission. The Authority has the right to rescind any notice of the redemption of Notes by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Notes then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee have no liability to the Note Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Notes. Upon surrender of any Notes redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the Authority, a new Note or Notes of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Notes surrendered.

Effect of Redemption. Notice of redemption having been duly given as described above, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Notes (or portions of the Notes) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Notes (or portions of the Notes) so called for redemption will become due and payable, interest on the Notes so called for redemption will cease to accrue, said Notes (or portions of the Notes) will cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of the Notes will have no rights in respect of them except to receive payment of the redemption price.

Book-Entry Only System

When executed and delivered, the Notes will be registered in the name of Cede & Co. as nominee of DTC. Beneficial Owners of the Notes will not receive physical Notes representing their interests in the Notes, but will receive a credit balance on the books of the nominees for such Beneficial Owners. The principal of and interest on the Notes will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes as described in this Official Statement. As long as Cede & Co. is the registered owner of the Notes, principal of and interest on the Notes are payable by wire transfer on the payment date by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such amounts to DTC Participants (as defined in this Official Statement) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the Notes. See “APPENDIX E - DTC and the Book-Entry Only System.”

Transfer, Registration and Exchange

See “APPENDIX A – Summary of Principal Legal Documents” for a description of the provisions of the Trust Agreement relating to the transfer, registration and exchange of the Notes.

SECURITY FOR THE NOTES

The general fund of the District is not liable and neither the credit nor the taxing power of the District is pledged for the payment of the principal of and interest on the Notes. The Owners of the Notes may not compel the exercise of the taxing power by the District or the forfeiture of its property. The principal of and interest on the Notes are not a debt of the Authority or the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Trust Agreement.

This section provides summaries of the security for the Notes and certain provisions of the Lease Agreement and the Trust Agreement. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Lease Agreement and the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Pledge of Revenues to Pay Interest on the Notes

Pledge of Revenues. Under the Trust Agreement, all of the Revenues and all amounts (including proceeds of the sale of the Notes) held in any fund or account established under the Trust Agreement are pledged to secure the payment of the principal of and interest on the Notes. This pledge constitutes a lien on and security interest in the Revenues and such amounts.

The Trust Agreement defines "**Revenues**" as:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments to be made by the District to the Authority under the Lease Agreement, including both timely and delinquent payments, any late charges, and whether paid from any source; and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement.

The Lease Payments are payable in an amount sufficient to provide sufficient Revenues for payment of interest on the Notes when due, but not payment of the principal of the Notes at maturity.

Assignment to Trustee. Under the Assignment Agreement, the Authority will assign to the Trustee its right to receive and collect lease payments under the Lease Agreement, in addition to certain other rights thereunder.

Covenant to Issue Refunding Obligations

General. Under the Trust Agreement, the Authority covenants that it will issue Refunding Obligations secured by Revenues and any other legally available funds of the Authority, in an amount sufficient to provide for payment of the Notes at their maturity.

If the Authority has not deposited with the Trustee, on or before January 1, 2016 (the January 1 immediately preceding the maturity of the Notes), an amount of funds sufficient to pay

in full the principal of and interest on the Notes at maturity, the Authority will immediately institute proceedings for the issuance of Refunding Obligations in an amount sufficient to provide for payment of the Notes at their maturity. The Authority shall authorize, execute and deliver any and all documents, including but not limited to any amendment to the Lease Agreement and the Site Lease, as may be required in order to (a) provide Revenues when and as required for payment of the Refunding Obligations, and (b) issue, sell and otherwise provide adequate security for the Refunding Obligations.

Refunding Obligations. The Trust Agreement defines “**Refunding Obligations**” as (a) the bonds, notes or other obligations issued by the Authority for the purpose of refunding the Notes on or before their maturity, and (b) any and all other bonds, notes or other obligations issued by the Authority to refund any prior issue of Refunding Obligations.

Refunding Obligations on a Parity. Under the Trust Agreement, if the Authority issues any Refunding Obligations for the purpose of refunding any series of the Notes, those Refunding Obligations will be equally and ratably secured by a pledge of and lien on the Revenues on a parity with the Notes (if any) that remain Outstanding. It is the intention of the Authority that all series of Notes and Refunding Obligations outstanding at any time will be secured by a parity pledge of and lien on the Revenues.

Lease Payments

General. Under the Lease Agreement, the District will agree to make Lease Payments to the Authority as rental for the use and occupancy of the Leased Property during each Rental Period (defined as each twelve month period beginning on April 1 in any year and continuing to and including April 30) which correspond in time and amount to payments of Debt Service on the Notes and any Refunding Obligations (collectively defined as “**Authority Debt**”).

The Lease Agreement defines the term “**Debt Service**” as the scheduled amount of interest and amortization of principal payable on Authority Debt during the period of computation.

“Debt Service” does not include the principal amount of the Notes coming due at their maturity, and includes the principal amount of any issue of Refunding Obligations only if principal and interest on such Refunding Obligations are calculated to come due and payable in approximately equal annual installments through the final maturity of the Refunding Obligations, which will be a date not earlier than 25 years from the date of issuance of the Refunding Obligations.

The Lease Payments are general unsecured obligations of the District, payable from any legally available source of funds of the District, and are subject to abatement, as described below.

Payment Dates. Under the Lease Agreement, the District is required to pay Lease Payments to the Trustee on each Lease Payment Date, which is the 5th Business Day preceding an Interest Payment Date.

Covenant to Budget and Appropriate Funds. The District covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary appropriations (including any supplemental appropriations) from the general fund of

the District for all such Lease Payments and all Additional Payments coming due and payable during the period covered by each such budget.

Credit for Amounts on Hand. All amounts on deposit in the Note Repayment Fund on any Lease Payment Date, and all amounts on deposit in the respective funds established under the Refunding Documents for payment of current debt service on the related issue of Refunding Obligations, will be credited towards the amount then required to be paid by the District under the Lease Agreement.

Deposit with Trustee. All Lease Payments received by the Trustee during the term of the Notes will be deposited in the Note Repayment Fund, which is established and maintained by the Trustee under the Trust Agreement.

Additional Payments

Under the Lease Agreement, in addition to the Lease Payments, the District agrees to pay the following Additional Payments (among others) directly to the respective persons to whom such Additional Payments are due and payable:

- All fees and expenses incurred by the Authority in connection with its interests in the Leased Property as and when the same become due and payable.
- All reasonable compensation and indemnification to the Trustee for all services rendered under the Trust Agreement, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Trust Agreement, the Site Lease and the Refunding Documents as and when the same become due and payable.
- The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement, the Site Lease, the Trust Agreement or the Refunding Documents.
- The reasonable out-of-pocket expenses of the Authority in connection with the Lease, the Site Lease or the Authority Debt, including any and all expenses incurred in connection with the authorization, sale and delivery of the Authority Debt or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Site Lease, the Authority Debt or any of the other documents contemplated thereby, or incurred in connection with the administration of the Lease Agreement, the Site Lease or the Authority Debt.
- All amounts due and owing to the federal government consisting generally of excess investment earnings arising from the investment of the proceeds of the Authority Debt.

Rate on Overdue Payments

Under the Lease Agreement, if the District fails to pay any of the Lease Payments or the Additional Payments when due and payable, the payment in default will continue as an obligation of the District until the amounts in default are fully paid, and the District agrees to pay such amounts with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the "Overdue Rate," which is equal to the rate of interest borne by the Notes.

Action on Default

If the District defaults under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, or may retain the Lease Agreement and hold the District liable for all Lease Payments thereunder on an annual basis. For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Trust Agreement, see APPENDIX A.

Lease Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS – Limited Recourse on Default."

Insurance

The Lease Agreement requires the District to obtain and maintain certain public liability, casualty, fire and extended coverage and rental interruption insurance coverage, which may have certain deductibles and may in some cases be maintained as part of or in conjunction with other insurance carried by the District or in the form of self-insurance.

Under the Trust Agreement, the Net Proceeds (as defined in the Trust Agreement) of any casualty insurance award resulting from any damage to or destruction of the Leased Property or any condemnation award will be applied, at the election of the District, to the repair or replacement of the Leased Property or to the payment of debt service on the Notes when due. See APPENDIX A.

Abatement of Lease Payments

The Lease Payments are payable by the District in each Fiscal Year for the District's right of use and possession of the Leased Property during such Fiscal Year. Under the Lease Agreement, the obligation of the District to pay Lease Payments will be subject to abatement during any period in which, by reason of damage, destruction or taking by eminent domain or condemnation with respect of any portion of the Leased Property, there is substantial interference with the District's right of use and possession of such portion of the Leased Property.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease will cease with respect thereto as of the day possession is taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain,

(a) the Lease Agreement will continue in full force and effect with respect thereto and will not terminate by virtue of such taking, and

(b) the Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, the Lease Payments are not subject to abatement to the extent that amounts in any reserve fund established under the Refunding Documents are available to pay Lease Payments which would otherwise be abated, it being declared in the Lease Agreement that such amounts constitute special funds for the payment of the Lease Payments.

Abatement Due to Damage or Destruction. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the District of the Leased Property, or any portion of it. The Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

In the event of any such damage or destruction, this Lease will continue in full force and effect and the District waives any right to terminate the Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, the Lease Payments are not subject to abatement to the extent that rental interruption insurance proceeds or amounts in any reserve fund established under the Refunding Documents are available to pay Lease Payments that would otherwise be abated, it being declared in the Lease Agreement that such amounts constitute special funds for the payment of the Lease Payments.

THE AUTHORITY

Lammersville Schools Finance Authority is a joint powers agency and public body organized and existing under the laws of the State of California. The members of the Authority are the District and California Municipal Finance Authority. The Authority was formed in 2013 for the primary purpose of financing public capital improvements for the District. The members of the Governing Board of the District serve as the Board of Directors of the Authority. The Authority currently has no independent administrative staff.

THE DISTRICT

General Information

The District was established in 1876, and encompasses approximately 21.7 square miles in the western portion of San Joaquin County. The District serves approximately 2,300 students, and currently operates four elementary (K-8) schools: Bethany Elementary School, Lammersville Elementary School, Questa Elementary School and Wicklund Elementary School. A new high school, Mountain House High School, is currently under construction. A portion of the construction costs will be financed with the proceeds of the Notes. See "FINANCING PLAN." Mountain House High School is currently scheduled to open for the 2014-15 school year.

For demographic and economic data concerning the area in and around the District, see APPENDIX D.

Administration

The District is governed by a five-member Governing Board, each member of which is elected to a four-year term. Current members of the Governing Board, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Micaela Vergara	President	December 2014
Sharon Lampel	Clerk	December 2014
Matthew Balzarini	Member	December 2016
Ben Fobert	Member	December 2016
David Pombo	Member	December 2016

Key personnel of the District include the following:

Dale H. Hansen, Superintendent. Dale H. Hansen has served as District Superintendent of the District since 2008. He has over 35 years' experience in education, with 25 years' experience as an administrator, serving as a middle school principal and superintendent. He received his B.A. Degree from California State University, Cal Poly and his M.A. in Education from California State University, Chico. In the last 10 years, he has directed over \$200 million in school construction projects and successfully unified the District, from an elementary school district to a joint unified school district.

Alvina Keyser, Director of Business Services. Alvina Keyser joined the District in 2006. She has over 20 years of experience in public school finance. Her professional experiences include serving as a financial clerk, payroll production and audit analyst, account specialist, fiscal services manager, and business manager. Ms. Keyser earned an A.A. Degree in Business from San Joaquin Delta College and was recently selected to participate in the FCMAT-CCSEA-BASC-CASBO-SSC CBO Mentor Project. Her professional development includes her completion of Total School Solutions CBO Certification, CASBO Annual Conferences, and the CBO Boot Camp.

Recent Enrollment Trends

The following table shows enrollment history for the District for the current and last five fiscal years, based on CBEDS data reported to the State of California (the “State”).

Table 1
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2007-08 through 2012-13 (projected)

<u>Fiscal Year</u>	<u>Enrollment</u>
2007-08	1,491
2008-09	1,741
2009-10	1,823
2010-11	2,019
2011-12	2,162
2012-13 [1]	2,375

[1] Projected.
Source: *Lammersville Joint Unified School District.*

Employee Relations

As of June 30, 2012, the District employed 117 full-time equivalent certificated employees, and 56 full-time equivalent classified employees, all of which are represented by the bargaining units noted below. In addition, the District employees 14 management staff members, who are unrepresented.

<u>Employee Type</u>	<u>Labor Organization</u>	<u>Contract Expiration Date</u>
Certificated	Lammersville Teacher Association (LTA)	June 30, 2013
Classified	California School Employee Association (CSEA) Lammersville Chapter #873	June 30, 2013

DISTRICT FINANCIAL INFORMATION

Accounting Practices

General. 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 financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

Basis of Accounting. All governmental funds and fiduciary funds are presented on the accrual basis of accounting. For more information on the District's accounting methods, see Note 1 to the District's most recent audited financial statements attached hereto as APPENDIX B.

GASB 34. In June 1999 the Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," which provides guidelines to auditors, state and local governments and special purpose governments (such as school districts and public utilities) on new requirements for financial reporting for all governmental agencies in the United States.

Generally, under GASB 34, the basic financial statements should include (i) a Management's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations, (ii) financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and (iii) a change in the fund financial statements to focus on the major funds.

Financial Statements

The District's audited financial statements for the fiscal year ending June 30, 2012, were prepared by Crowe Horwath LLP, Sacramento, California (the "**Auditor**"), and are attached as APPENDIX B.

The District's financial statements should be read in their entirety. *The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District. In addition, the Auditor has not reviewed this Official Statement.*

General Fund Revenues, Expenditures and Changes in Fund Balance

The following table shows the audited income and expense statements for the District for the prior three fiscal years, and the projected results for the current fiscal year based on the District's First Interim Report.

Table 2
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2009-10 through 2011-12 (audited)
and Fiscal Year 2012-13 (projected)

	Audited 2009-10	Audited 2010-11	Audited 2011-12	Projected First Interim 2012-13
Revenues				
Revenue Limit Sources:				
State Apportionments	\$6,155,540	\$7,843,989	\$6,845,864	7,449,376
Local Sources	2,360,839	2,150,881	4,204,087 [1]	4,633,471
Total Revenue Limit	8,516,379	9,994,870	11,049,951	12,082,847
Federal Sources	802,704	662,917	944,713	550,467
Other State Sources	1,624,441	1,587,667	1,635,275	1,635,183
Other Local Sources	500,680	606,006	526,968	473,545
Total Revenues	11,444,204	12,851,460	14,156,907	14,742,042
Expenditures				
Certificated salaries	5,847,066	6,622,836	6,718,288	7,591,230
Classified salaries	1,168,267	1,290,522	1,318,374	1,574,485
Employee benefits	2,307,900	2,624,603	2,909,942	3,178,984
Books and supplies	423,006	470,680	417,262	521,597
Contract services and operating expenditures	1,101,040	1,146,703	1,518,720	1,902,803
Capital outlay	100,457	-	-	10,500
Other outgo	175,425	200,011	340,001	423,781
Total Expenditures	11,123,161	12,355,355	13,222,587	15,203,380
Excess of Revenues Over/(Under) Expenditures	321,043	496,105	934,320	(461,338)
Other Financing Sources (Uses)				
Operating Transfers In	156,451	19,164	119,558	185,211
Operating Transfers Out	(266,993)	-	-	259,736
Total Other Financing Sources (Uses)	(70,542)	19,164	119,558	74,525
Net Change in Fund Balances	250,501	515,269	1,053,878	(535,863)
Fund Balance, July 1 (as adjusted)	2,234,144	2,484,645	2,999,914	3,798,631
Fund Balance, June 30	\$2,484,645	\$2,999,914	\$4,053,792	\$3,262,768

[1] Increase from prior fiscal year represents District's July 1, 2011, transition from elementary school district to joint unified school district. The additional revenues resulted from property taxes collected from residents of the City of Tracy.

Source: Lammersville Joint Unified School District.

Budget Process

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

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

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

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

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

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (“**A.D.A.**”). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

The table below sets forth a schedule of the District's A.D.A. during past five fiscal years, as well as projections for the current and next two fiscal years.

Table 3
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2007-08 through 2011-12 (actual)
and 2012-13 through 2014-15 (projected)

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2007-08	1,461.77
2008-09	1,689.67
2009-10	1,757.15
2010-11	1,951.74
2011-12	2,113.60
2012-13 [1]	2,312.39
2013-14 [1]	2,402.39
2014-15 [1]	2,952.39

[1] Projected.

Source: *Lammersville Joint Unified School District.*

The District, like all California school districts, receives a significant portion of its funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts. In addition, delays in or deferrals of State funding to school districts can result in corresponding delays in the receipt of revenues, including revenue limit revenues, by school districts. See “STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS.”

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table 4
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
District Revenue Sources

<u>Revenue Source</u>	<u>Percentage of Total District General Fund Revenues</u>		
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Revenue limit sources	74.42%	77.77%	78.05%
Federal revenues	7.01	5.16	6.67
Other State revenues	14.19	12.35	11.55
Other local revenues	4.37	4.72	3.72

Source: Lammersville Joint Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the A.D.A. for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

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

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from 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. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Investments

Under the California Education Code, the District is required to pay all monies received from any source into the County Treasury to be held on behalf of the District. Therefore, the District's funds, including any moneys held by the District under the Lease Agreement and the Trust Agreement, as well as property taxes and other general fund revenues collected to pay debt service with respect to the Notes, will be held and invested at one time or another by the County Treasurer.

For information about the County investment pool and policy, see APPENDIX G.

Long-Term Liabilities.

Community Facilities District Related Debt. The District has issued multiple series of community facilities district special tax bonds, which are payable solely from special taxes approved by the eligible voters of the applicable community facilities district, and levied within the boundaries of such district. The total outstanding principal amount of community facilities district special tax bonds at June 30, 2012, was \$50,655,000.

Construction Loan. On August 17, 2009, in accordance with the Shortfall Assurance Agreement, all costs related to the construction of Sebastian Questa Elementary School were paid up front by Shea Mountain House LLC ("**SMH**") due to the lack of construction funds received by the State. SMH may potentially fund up to \$27.5 million in Sebastian Questa School construction costs. Any SMH shortfall funding advances will be reimbursed as per the School Facilities Impact Mitigation Agreement, from either state construction funding received by the District, or a subsequent CFD bond sale.

For further information regarding the District's long-term liabilities, see the notes to the Financial Statements attached as APPENDIX B.

District Retirement Systems

The information on the District's retirement benefits presented below is derived from the notes to the Financial Statements attached as APPENDIX B.

STRS. The District contributes to the California State Teacher's Retirement System ("**STRS**"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by stated statutes, as legislatively amended, with the State Teachers' Retirement Law.

Active plan members are required to contribute 8.00% of their salary, and the District is required to contribute an actuarially determined rate. The required employer contribution rate of fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute.

The District's STRS contributions for the prior three Fiscal Years were as follows:

<u>Fiscal Year</u>	<u>Contribution</u>	<u>Percentage of Required Contribution</u>
2009-10	\$472,091	100%
2010-11	533,040	100
2011-12	548,551	100

The District's STRS contribution for fiscal year 2012-13 is budgeted at \$648,119.

PERS. The District contributes to the School Employer Pool under the California Public Employees' Retirement System ("**PERS**"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution rate of fiscal year 2011-12 was 10.923% of annual payroll. The contribution requirements of the plan members are established by State statute.

The District's CalPERS contributions for the prior three Fiscal Years were as follows:

<u>Fiscal Year</u>	<u>Contribution</u>	<u>Percentage of Required Contribution</u>
2009-10	\$133,440	100%
2010-11	154,044	100
2011-12	172,689	100

The District's CalPERS contribution for fiscal year 2012-13 is budgeted at \$243,809.

Both STRS and PERS are operated on a statewide basis.

STRS' and PERS' Unfunded Liability. Both STRS and PERS have substantial unfunded actuarial accrued liabilities. The amounts of these liabilities vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. See STRS' and PERS' comprehensive annual financial reports for the fiscal year ended June 30, 2012, which can be found on the Internet at the following website addresses:

- <http://www.calstrs.com/comprehensive-annual-financial-report>
- <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/comprehensive-annual-financial.xml>

The references to these websites are made for convenience only. The information contained within either of them may not be current, has not been reviewed by the District and is not incorporated by reference in this Official Statement.

Other Postemployment Benefits

Information on the District's post-employment healthcare benefits is presented in the notes to the Financial Statements attached as APPENDIX B and reflects an actuarial valuation report dated as of July 1, 2009. However, an actuarial valuation report was completed as of July 1, 2012, and the information it contains is reflected below.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$211,171
Interest on net OPEB obligation	15,145
Adjustment to annual required contribution	(19,704)
Annual OPEB cost (expense)	<u>206,612</u>
Contributions made	(42,336)
Increase in net OPEB obligation	<u>164,276</u>
Net OPEB obligation - beginning of year	302,895
Net OPEB obligation - end of year	<u>\$467,171</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012, and the prior two years was as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	%-age of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$211,171	31.0%	\$ 145,756
2011	208,977	24.8	302,895
2012	206,612	20.5	467,171

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,266,663, and resulting in an unfunded actuarial accrued liability ("**UAAL**") of \$1,266,663.

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

Projections of benefits for financial reporting purposes are based on the substantive plan

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

In the July 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a multi-year period. The UAAL is being amortized over a 30-year level dollar open period.

STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see “– State Funding of Education – Revenue Limits” above). State funds typically make up the majority of a district’s revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Authority nor the Underwriter is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

The Budget Process. The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

State IOUs and Deferrals of Education Funding. In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions which include the State issuing IOUs (defined below) to its creditors, and the deferral of school funding.

On July 2, 2009, as a result of declines in State revenues commencing in fiscal years 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to

more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-09 through 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future, although the 2012-13 Budget described below includes measures which are intended to address these budgetary difficulties.

Information on State Economic Challenges, Prior Year State Budgets and Related Events. The State's financial condition and budget policies affect communities, local public agencies and school districts throughout California. The State of California is experiencing significant financial and budgetary stress. Exacerbating the State's challenges, as the State entered recession in 2008, annual revenues generally were less than annual expenses, creating a "structural" budget deficit. This structural deficit is due in part to overreliance on temporary budgetary remedies in prior State Budget years, including one-time revenues, internal borrowing, payment deferrals, accounting shifts and expenditure reduction proposals that have not materialized.

In recent years, the State Budget was also, repeatedly, not passed and signed in a timely manner. Frequently, school district budgets have been revised after the delivery of delayed State Budgets to reflect necessary changes in revenues and expenditures. Delays in the delivery of State budgets cause an element of uncertainty for local governments, such as school districts. Delayed payments from the State to the District, which are more common during periods in which the State faces economic challenges, also subject the District to additional risk.

In recent years, Governor Edmund G. Brown Jr. has employed a strategy of proposing revenue raising measures coupled with automatic expenditure and service cuts, which cuts go into effect if the revenue raising measures are not approved by the State Legislature or State voters, into his State budget packages. The State's 2011-12 Budget (the "**2011-12 Budget**") relied on \$4 billion of additional tax revenue, which when not realized, automatically triggered nearly \$1 billion further cuts to universities, welfare, courts and schools (the "**Trigger Cuts**"). "**Tier 1 Trigger Cuts**" would be triggered if, by January 2012, State revenues fell short of projections by \$1-2 billion. Tier 1 Trigger Cuts related to cuts in university, social services and library funding and would total approximately \$600 million. "**Tier 2 Trigger Cuts**" would be triggered if, by January 2012, revenues were projected to fall short by more than \$2 billion. Tier 2 Trigger Cuts related to K-12 revenue limit funding and home-to-school transportation and were to total approximately \$1.9 billion.

On December 13, 2011, Governor Brown announced the State would fall \$2.2 billion short of the revenue forecast contained in the 2011-12 Budget, and that \$980 million in Trigger Cuts, comprised of all Tier 1 Trigger Cuts and a portion of Tier 2 Trigger Cuts, would be implemented. Effective January 1, 2012, Trigger Cuts to funding for University of California, California State University, community colleges, developmental services, local libraries and state-subsidized child care and K-12 school bus service funding, among others, became effective. Effective February 1, 2012, Trigger Cuts to general revenue limit funding for K-12 school districts totaling \$79.6 million were implemented.

The 2011-12 Budget was also premised on \$2.8 billion in deferrals to K-12 schools and community colleges and \$1.7 billion to be directed from State redevelopment agency funds pursuant to ABx1 27. ABx1 27 was passed together with ABx1 26, which restricted redevelopment agency actions to create new debt and then dissolved them. On December 29, 2011, the State Supreme Court issued its decision in *California Redevelopment Assoc. v. Matosantos*, a case brought to determine the constitutionality of ABx1 26 and ABx1 27, ruling that ABx1 26 was constitutional and ABx1 27 was not. By February 1, 2012 all redevelopment agencies were to cease operations and dismantle, and no additional payments from communities with redevelopment agencies to fund school expenditures are thereafter constitutionally permissible. Other challenges or delays relating to the implementation of these statutes cannot be predicted at this time.

Moreover, the 2011-12 Budget included decreases in Proposition 98 funding to \$48.7 billion, including \$32.8 billion from the State general fund, which reflected a decrease from the prior year of \$1.1 billion. This decrease was a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee. The 2011-12 Budget also made a significant, one-time modification to State budgeting requirements for school districts, requiring them to project the same level of revenue per student in 2011-12 as in 2010-11, as well as to maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provided that school districts would only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

Finally, the 2011-12 Budget contained the numerous significant measures with respect to K-12 education, including: (i) an additional apportionment deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level, (ii) a decrease of \$62.3 million to part-day preschool spending to reflect a reduction of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (iii) \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12, (iv) \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which was designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction, (v) a decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (vi) a decrease of \$2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES), which program was intended to provide a central State information depository regarding the teaching workforce, and (vii) projected savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

2012-13 State Budget

On June 15, 2012, the Legislature passed a \$92 billion General Fund State Budget that closed the State's then-remaining \$15.7 billion deficit and rebuilt a \$1 billion General Fund reserve. The 2012-13 State Budget relies on the Schools and Local Public Safety Protection Act, a \$6.9 billion tax increase approved by California voters at a regular election in November 2012 (the "**2012 Initiative**"), also known as Proposition 30. The 2012 Initiative enacted

temporary increases on high-income earners, raising income taxes by up to three percent on the wealthiest Californians for seven years and increase the state sales tax by one-quarter of one cent for four years and averted \$5.9 billion of planned Trigger Cuts which would have affected public education funding in the State (with \$5.4 billion of Trigger Cuts affecting future Proposition 98 funding, and the University of California and Cal State systems each experiencing \$250 million in Trigger Cuts). The 2012-13 Budget also contains reductions in expenditures from prior years spending totaling \$8.1 billion, including reductions caused by elimination of the Healthy Families program and by reforms relating to the CalWORKs, Medi-Cal, Judiciary and Cal Grant programs. The 2012-13 Budget expects \$1.5 billion in savings will be generated as the result of the transfer of cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services and to schools to offset State General Fund costs. An additional \$1.9 billion in savings will arise due to prepayment of the State's Proposition 98 funding as required by a court settlement. Governor Brown signed the 2012-13 Budget on June 27, 2012.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Notes.

The execution of the 2012-13 Budget may be affected by numerous factors, including but not limited to: (i) national, State and international economic conditions, (ii) failure of the 2012 Initiative, (iii) litigation risk associated with proposed spending reductions, (iv) failure to generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and (v) other factors, all or any of which could cause the revenue and spending projections made in 2012-13 Budget to be unattainable. The District cannot predict the impact that the 2012-13 Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2012-13 Budget, or the accuracy of its attempts to project and budget for 2012-13 Trigger Cuts affecting it.

2013-14 Proposed State Budget

On January 10, 2013, Governor Brown presented his Proposed State Budget for the 2013-14 Fiscal Year (the "**2013-14 Proposed State Budget**") to the California Legislature, which projects to be the first balanced budget presented in many years. The 2013-14 Proposed State Budget will be followed by a "May Revision" to reflect updated revenue and expenditure estimates. Thereafter, the deadline for the California Legislature to adopt a final State Budget is June 15, 2013, at which time the Governor has twelve business days to respond.

The 2013-14 Proposed State Budget proposes a multiyear plan that is balanced, maintains a \$1 billion reserve, and pays down budgetary debt from past years. It projects overall State General Fund spending to grow by 5 percent, from \$93 billion in Fiscal Year 2012-13 to \$97.7 billion in Fiscal Year 2013-14. The majority of the spending growth is in education and health care. Under the 2013-14 Proposed State Budget, funding levels for Proposition 98 will increase by almost \$2,700 per student through 2016-17, including an increase of more than \$1,100 per student in 2013-14 over 2011-12 levels, which increased funding is tied to new Proposition 98 funding measures. The State General Fund share of Proposition 98 funding is projected to increase by nine percent, whereas the share from local property tax revenues is

projected to drop by four percent due to the tapering off of the transfer of one-time liquid assets from former redevelopment agencies. Funding is also increased for the University of California and California State University higher education systems. The 2013-14 Proposed State Budget includes a \$350 million allocation from the State's General Fund to begin to pay for the implementation of federally-required expansions of State health care coverage.

The State Legislative Analyst's Office ("**LAO**") delivered an initial analysis of the 2013-14 Proposed State Budget, dated on January 14, 2013. As described in this analysis, the 2013-14 Proposed State Budget contains numerous, major Proposition 98 proposals for schools and community colleges. Most significantly, the 2013-14 Budget provides \$1.6 billion to begin implementation of a significant restructure of much of the current system of K-12 finance with a new funding formula. The new formula would consolidate K-12 revenue limits and almost all of the state's roughly sixty categorical programs into one streamlined funding formula with essentially no associated programmatic spending requirements, allowing much more local control. The formula would provide a base funding grant per student. The formula also would provide supplemental funding intended for districts to serve English learners and students from low-income families as well as provide lower class sizes in grades kindergarten through third and offer career technical education classes in high school. The budget proposal allocates \$1.6 billion to begin increasing school district rates to a target base rate, with the supplemental grants adjusted in tandem with base increases. Based on the administration's estimates, the formula would be fully implemented by Fiscal Year 2019-20.

The LAO further found the 2013-14 Proposed State Budget dedicates \$1.9 billion to pay down existing K-14 payment deferrals, reducing the need for school districts and community colleges to borrow to meet their current cash needs. In addition, the 2013-14 Proposed State Budget provides a 1.65 percent cost-of-living adjustment for a few K-12 categorical programs and the budget funds a 0.10 percent increase in K-12 average daily attendance. The 2013-14 Proposed State Budget includes a cumulative \$100 million augmentation to the State's school mandates block grant to reflect the addition of two large mandates: Graduation Requirements and Behavioral Intervention Plans ("**BIP**"). For BIP, the Governor also plans to introduce budget trailer bill language to more closely align state requirements with federal requirements, which is intended to eliminate most of the state's costs for reimbursing this mandate through the claims process going forward. Finally, the Governor proposes to allocate certain voter-approved energy-related funding to be received over the next five years exclusively to school districts and community college districts (\$450 million in 2013-14 and \$550 million annually for the next four years). Under this approach, this spending would count toward meeting the Proposition 98 minimum guarantee, and funds would be allocated to districts on a per-student basis, with school districts and community college districts receiving \$67 and \$45 per student, respectively. The California Department of Education ("**CDE**") and the California Community College Chancellor's Office could consult with the California Energy Commission ("**CEC**") and the California Public Utilities Commission ("**CPUC**") to develop guidelines for districts in prioritizing the use of the funds.

The complete 2013-14 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Notes.

The execution of 2013-14 Proposed State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (v) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 Proposed State Budget to be unattainable. The District cannot predict the impact that the 2013-14 Proposed State Budget, or subsequent budgets, will have on its own finances and operations, and cannot predict the accuracy of any projections made in the 2013-14 Proposed State Budget.

Uncertainty Regarding Future State Budgets.

The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Notes to provide State budget information to the District or the owners of the Notes. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Notes are secured by ad valorem taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the Robles-Wong litigation.

However, if successful, the lawsuit could result in changes to the implementation of school finance in the State of California.

2011 CSBA Litigation. The California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District announced on August 28, 2011 that they were filing a lawsuit in the Superior County of the City and County of San Francisco, seeking to restore more than \$2 billion that had been designated to California public schools under Proposition 98, but was cut from the 2011-12 State Budget. The Superior Court has rejected the lawsuit, however the plaintiffs may appeal the decision.

TAXATION AND APPROPRIATIONS

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” The “**secured roll**” is that part of the assessment roll containing (1) state-assessed public utilities’ property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising under State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are delinquent is sent to collections on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the Leased Property is deeded to the State and then is subject to sale by the county tax collector.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1, except that supplemental assessment and taxation of property occurs as of the occurrence of a change of ownership or completion of new construction, timely providing increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the Leased Property securing the taxes to the State for the amount of taxes which are delinquent.

Unitary Taxation of Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The changes call for the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All of this property is then subjected to a tax at a rate equal to the sum of the following two rates:

(a) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total ad valorem secured roll assessed value for the prior year, and

(b) A rate determined by dividing the county's total ad valorem tax levies for the secured roll for the prior year for debt service only by the county's total ad valorem secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, pool 1 being available for general tax purposes and pool 2 for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

Assessed Valuation & Tax Rate

Property within the District had a local secured assessed valuation for fiscal year 2012-13 of \$2,000,295,101. Shown in the following table are the assessed valuations for property in the District for the current and past four fiscal years.

Table 5
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Fiscal Years 2008-09 through 2012-13

	<u>Local Secured</u>	<u>Non-Unitary Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$2,525,634,541	\$ 97,198,751	\$ 80,663,989	\$2,703,497,281
2009-10	2,231,171,127	109,978,711	85,804,823	2,426,954,661
2010-11	2,032,800,680	91,925,425	81,363,129	2,206,089,234
2011-12	1,934,271,571	74,655,758	76,016,593	2,084,943,922
2012-13	2,000,295,101	320,954,829	111,772,639	2,433,022,569

Source: *California Municipal Statistics, Inc.*

The following table shows the assessed valuation by land use in the District as determined by secured assessed valuation and taxable parcels for fiscal year 2012-13.

**Table 6
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13**

	2012-13 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	\$ 65,632,154	2.83%	219	4.02%	215	4.05%
Commercial	9,640,143	0.42	5	0.09	5	0.09
Vacant Commercial	29,970,342	1.29	37	0.68	35	0.66
Industrial	530,825,931	22.87	40	0.74	40	0.75
Vacant Industrial	46,936,733	2.02	69	1.27	69	1.30
Utilities/Power Plants	320,954,829	13.83	15	0.28	15	0.28
Recreational	2,155,688	0.09	8	0.15	8	0.15
Government/Social/Institutional	2,136,164	0.09	129	2.37	17	0.32
Miscellaneous	153,290	0.01	66	1.21	66	1.24
Subtotal Non-Residential	\$1,008,405,274	43.44%	588	10.80%	470	8.86%
Residential:						
Single Family Residence	\$1,032,517,564	44.48%	3,319	60.99%	3,319	62.58%
Condominium/Townhouse	36,463,449	1.57	246	4.52	246	4.64
Rural Residential	40,310,459	1.74	158	2.90	158	2.98
2+ Residential Units/Apartments	5,909,733	0.25	14	0.26	14	0.26
Vacant Residential	197,643,451	8.51	1,117	20.53	1,097	20.68
Subtotal Residential	\$1,312,844,656	56.56%	4,854	89.20%	4,834	91.14%
Total	\$2,321,249,930	100.00%	5,442	100.00%	5,304	100.00%

[1] Local secured and non-unitary utility assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The table below summarizes the total ad valorem tax rates levied by all taxing entities in tax rate area 92-018 for fiscal year 2012-13.

**Table 7
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
2012-13 Typical Total Tax Rate per \$100 Assessed Value
(Tax Rate Area 92-018; Assessed Valuation: \$1,090,714,003)**

	2008-09	2009-10	2010-11	2011-12	2012-13
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
San Joaquin Delta Community College District	.016000	.018000	.019400	.020000	.020200
Tracy Unified School District	.019500	.023100	.024600	.026600	.026200
Total Tax Rate	1.035500	1.041100	1.044000	1.046600	1.046400

Property Tax Collections and Delinquencies

Teeter Plan. The Board of Supervisors of the County has adopted 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. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of ad valorem property taxes in the District would depend upon the actual collections of the ad valorem property taxes.

Collection and Delinquency History. Shown in the following table are the secured tax charges and delinquencies for the District for the past five fiscal years.

Table 8
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
(San Joaquin County Portion Only) [1]
Fiscal Year 2008-09 through Fiscal Year 2012-13

	Secured Tax Charge [2]	Amt. Del. June 30	% Del. June 30
2007-08	\$2,236,663.39	n/a	n/a
2008-09	2,174,531.49	\$120,929.55	5.56%
2009-10	1,910,528.75	67,755.18	3.55
2010-11	1,736,397.12	45,911.27	2.64
2011-12	3,603,688.62	81,228.16	2.25

[1] San Joaquin County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.

(2) 1% General Fund apportionment.

Source: *California Municipal Statistics, Inc.*

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation for fiscal year 2012-13.

Table 9
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2012-13

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2012-13 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	GWF Energy LLC	Power Plant	\$ 186,400,000	8.03%
2.	Mariposa Energy LLC	Power Plant	128,500,000	5.54
3.	Costco Wholesale Corp.	Food Processing	120,993,358	5.21
4.	Safeway Inc.	Warehouse	114,005,057	4.91
5.	Owens Brockway Glass Container	Industrial	111,498,126	4.80
6.	Shea Homes LP/Shea Mountainhouse LLC	Residential Development	106,637,956	4.59
7.	PCCP Mountain House LLC	Residential Development	70,754,655	3.05
8.	First Industrial Pennsylvania LP	Industrial	48,244,446	2.08
9.	Prologis MacQuarie Calif. III LP	Warehouse	34,987,005	1.51
10.	Trimark Communities LLC	Commercial/Industrial Land	31,314,302	1.35
11.	United Facilities Inc.	Warehouse	19,409,151	0.84
12.	Catellus Tracy Investment LLC	Industrial	18,386,239	0.79
13.	CLPF Patterson Pass 8 & 10 LP	Warehouse	18,206,095	0.78
14.	Lowenberg Assoc. LP	Industrial	12,712,977	0.55
15.	Crossroads Business Center LP	Commercial Land	11,836,600	0.51
16.	Schulte Road 3 LLC, et. Al.	Warehouse	9,765,624	0.42
17.	Thermal Energy Dev. Ptp. LP	Industrial	8,524,131	0.37
18.	Tracy Gateway LLC	Commercial Land	8,088,539	0.35
19.	SNB Tracy LLC	Residential Development	7,956,000	0.33
20.	Sunchaser Real Estate One LLC	Commercial Land	<u>6,908,308</u>	<u>0.30</u>
			\$1,075,128,569	46.32%

[1] 2012-13 local secured and non-unitary utility assessed valuation: \$2,321,249,930.

Source: California Municipal Statistics, Inc.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective March 1, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

Table 10
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt

2012-13 Assessed Valuation: \$2,433,022,569

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/13</u>
Bay Area Rapid Transit District	0.039%	\$ 160,169
San Joaquin Delta Community College District	4.265	5,366,284
Tracy Unified School District	21.992	10,217,483
Lammersville School District Community Facilities District No. 2002	100.	68,417,914
Lammersville School District Community Facilities District No. 2007-1 I.A. 1	100.	1,780,000
California Statewide Communities Development Authority 1915 Act Bonds	100.	<u>7,246,315</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$93,188,165
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	4.313%	\$ 7,259,857
Alameda County General Fund and Pension Obligations	0.100	748,776
City of Tracy General Fund Obligations	0.369	85,774
Lammersville School District General Fund Obligations	100.	-
	(1)	
Byron-Bethany Irrigation District General Fund Obligations	68.962	<u>3,558,439</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$11,652,846
COMBINED TOTAL DEBT		\$104,841,011
	(2)	

(1) Excludes lease revenue notes to be sold.

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

Ratios to 2012-13 Assessed Valuation:

Combined Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt	3.83%
Combined Total Debt	4.31%

Source: *California Municipal Statistics, Inc.*

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

In 1978, voters in the State of California (the “**State**”) approved Proposition 13, adding Article XIII A to the State Constitution. Article XIII A limits the amount of any ad valorem tax on real property to 1% of its full cash value (as defined in the next paragraph) and if (i) approved by the voters prior to July 1, 1978, any additional ad valorem taxes levied to pay debt service on indebtedness or (ii) approved on or after July 1, 1978 by two-thirds of the voters voting, on bonded indebtedness for the acquisition or improvement of real property.

Article XIII A defines full cash value (“**Full Cash Value**”) to mean “the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill under ‘full cash’ or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The Full Cash Value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to (i) permit reduction of the Full Cash Value base for declining property values caused by damage, destruction or other factors and (ii) provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or the 2% annual adjustment 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.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B, which effectively limits the amount of the revenues those entities are permitted to spend. Article XIII B was approved by the voters in July 1979 and modified substantially by Proposition 111 in 1990.

The appropriations limit of each government entity applies to proceeds of taxes (“**Proceeds of Taxes**”), which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that they exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” Proceeds of Taxes excludes tax refunds and some benefit payments, such as unemployment insurance. No limit is imposed on the appropriation of funds that are not Proceeds of Taxes, such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds

existing or authorized by January 1, 1979, or subsequently authorized by the voters; appropriations required to comply with mandates of courts or the federal government; appropriations for qualified capital outlay projects; and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following the emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested every two years against its limit. If the aggregate amount of Proceeds of Taxes for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

Articles XIIC and XIID of the State Constitution

Articles XIIC and XIID of the State Constitution were added in 1996. Article XIIC requires all new local taxes to be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote, and those for specific purposes require a two-thirds vote. In addition, Article XIIC removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Article XIID imposes requirements and limitations for "assessments" for governmental services and programs. "**Assessment**" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIID limits "**fees**" and "**charges**," defined to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges must not (i) generate revenues exceeding the funds required to provide the property related service, (ii) be used for any purpose other than those for which the fees and charges are imposed, or (iii) be used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. They must, however, be for a service actually used by, or immediately available to, the owner of the property in question.

Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by it. The local agency must then hold a hearing on the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local agency may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services or electrical and gas service, which are not treated as "property related" for purposes of Article XIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to it or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986, general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "**Woodlake Case**"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "**Santa Clara Case**"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("**La Habra**"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004, and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. The State may, however, approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate currently in effect (0.65% of vehicle value) the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, as of July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 amended the State Constitution to eliminate or reduce the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. Notwithstanding the passage of Proposition 22, the State successfully dissolved redevelopment agencies.

Assessment Appeals and Assessor Reductions

Pursuant to California law, a property owner may apply for a 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 assessment appeals board (a “**Proposition 8**” appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), a 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 as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor’s determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, State law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to

be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated.

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the District or the District ability to expend revenues. The nature and impact of these measures cannot be predicted.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Notes. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Notes. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

No Assurances on Issuance of Refunding Obligations

As described above, the Lease Payments have been calculated to be sufficient to pay interest coming due on the Notes, but will not provide for payment of the principal of the Notes at maturity. Payment of the principal of the Notes is dependent on the issuance of Refunding Obligations by the Authority. Although the Authority has covenanted to issue Refunding Obligations as required to pay principal of the Notes at or before their maturity, such issuance is dependent upon a variety of factors over which neither the Authority or the District has control.

Factors which could affect the ability of the Authority to issue Refunding Obligations include, without limitation: the financial condition of the District at the time the Authority institutes proceedings to issue Refunding Obligations; the presence of conditions prevailing in the municipal bond market which could make it difficult or impossible for the Authority to issue Refunding Obligations; and the difficulty of obtaining municipal bond insurance or other credit enhancement or a liquidity facility for the Refunding Obligations.

No assurances can be given that the Authority will be able to issue Refunding Obligations when and as required to provide for payment of the principal of the Notes at or before maturity.

Limited Obligation of the Authority and the District

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State of California or of any of its political subdivisions within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds, and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Lease Payments in its annual budgets and to make necessary annual appropriations therefor. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The Trust Agreement does not create a pledge, lien or encumbrance upon the funds of the Authority. However, the Notes are obligations of the Authority, payable from any source of legally available funds of the Authority, and under the Lease Agreement the Authority acknowledges that it has the primary obligation to pay the principal of and interest and premium (if any) on the Notes. Such covenant does not relieve the District from its obligations under the Lease Agreement to budget and appropriate the full amount of each Lease Payment and to pay the full amount of each Lease Payment if the Authority fails to pay in full the principal of and

interest on the Notes when due. No representations are made in this Official Statement, and no assurances can be given, as to the financial ability of the Authority to pay debt service on the Notes in whole or in part. The Trust Agreement does not obligate the Authority to maintain sufficient funds to pay debt service on the Notes. Moreover, the Authority currently has no independent operations or sources of revenues other than the Lease Payments.

The District has the capacity to enter into other obligations that may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make debt service payments on the Notes may be decreased. If the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making debt service payments and other payments due under the Lease Agreement.

Abatement

In the event of substantial interference with the District's right to use and possession of any portion of the Leased Property by reason of damage to, or destruction or condemnation of, the Leased Property, the District's obligation to pay Lease Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Abatement." If such portion of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Lease Payments, plus the period for which funds are available from funds and accounts established under the Trust Agreement, or if casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Property or payment of the Notes, there could be insufficient funds to make payments to Owners in full.

Limited Recourse on Default

If the District defaults on its obligations to pay Lease Payments, the Trustee, as assignee of the Authority, may (subject to the restrictions described below) retain the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Leased Property. If such re-letting occurs, the District would be liable for any resulting deficiency in Lease Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Leased Property and proceed against the District to recover damages under the Lease Agreement.

Due to the specialized nature of the Leased Property, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Property so as to provide rental income sufficient to make principal and interest payments with respect to the Notes in a timely manner, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Notes. In addition, due to the governmental function of the Leased Property, it is not certain whether, if challenged, a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of interest on the Notes from federal or state income taxation.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Lease Payments due over the term of the Lease Agreement. The District will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the Authority or the District in violation of its covenants in the Trust Agreement and the Lease Agreement could result in the interest on the Notes being includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes. Should such an event of taxability occur, the Notes would not be subject to a special prepayment and would remain Outstanding.

Earthquake Risk

The State of California, including the San Joaquin County Area, is a seismically active region. There are several geological faults in the area that have the potential to cause serious earthquakes and damage to the Leased Property. The District is required under the Lease Agreement to maintain earthquake insurance only if available at reasonable cost from reputable insurers and does not presently maintain earthquake insurance. Accordingly, if an earthquake were to cause serious damage to the Leased Property, the District would be limited to its general fund, reserves and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the District's obligation to make Lease Payments would be subject to abatement. The District will not be obligated to repair or restore the Leased Property in the event of an earthquake.

Economic Conditions in California

The State of California, upon which the District relies for a substantial portion of its revenues, has experienced budget shortfalls in recent fiscal years. Decreases in State revenues may significantly affect appropriations made by the State to school districts, and the timing of payment to school districts by the State of California may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings. See "STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS."

Limitations on Remedies Available to Note Owners

The ability of the District to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Notes upon the occurrence of an event of default under the Lease Agreement or the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Note holder remedies contained in the Lease Agreement and the Trust Agreement, the rights and obligations under the Notes, the Lease Agreement and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date the Notes were issued, as a result of future acts or omissions of the Authority or the District in violation of their respective covenants in the Lease Agreement and the Trust Agreement. Should such an event of taxability occur, the Notes are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Trust Agreement.

Secondary Market for Notes

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that any Notes can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the District have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Note is sold is less than the amount payable at its maturity, then such difference constitutes "**original issue discount**" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Note is sold is greater than the amount payable at its maturity, then such difference constitutes "**original issue premium**" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner of the Notes, subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Notes to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Note. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase the Notes after the initial offering of a substantial amount of such maturity. Owners of such Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Notes under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Note (said term being the shorter of the Note's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Note for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Note is amortized each year over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Note premium is not deductible for federal income tax purposes. Owners of Premium Notes, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect

to State of California personal income tax and federal income tax consequences of owning such Notes.

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

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Notes other than as expressly described above.

The form of Bond Counsel opinion for the Notes is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Lease Agreement and the Trust Agreement and as to the validity of the Notes. Jones Hall is also serving as Disclosure Counsel to the Authority in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Authority and the District by Lozano Smith Attorneys At Law, Sacramento, California, and for the Underwriter by Nossaman LLP, Irvine, California.

ABSENCE OF LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Notes, the Trust Agreement or the Lease Agreement or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing.

RATING

Standard & Poor's Ratings Services ("**S&P**") has assigned a short-term rating of "___" to the Notes.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Authority and the District have provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Notes may have an adverse effect on the market price or marketability of the Notes.

CONTINUING DISCLOSURE

The District (on behalf of the Authority and itself) will covenant for the benefit of owners of the Notes to provide certain financial information and operating data relating to the District and its general fund (the “**Annual Report**”) and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

The District has never failed to comply, in all material respects, with its previous continuing disclosure undertakings under the Rule to provide annual continuing disclosure reports or notices of material events in the past five years.

UNDERWRITING

The District has entered into a Note Purchase Agreement with Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) under which the Underwriter has agreed, subject to certain conditions, to purchase the Notes from the District at a price of \$_____ (being the principal amount of the Notes, less an underwriter's discount of \$_____).

The Underwriter is obligated to purchase all of the Notes if any are purchased. The Notes may be offered and sold by the Underwriter to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriter.

PROFESSIONALS INVOLVED IN THE OFFERING

The following professionals have performed professional services in connection with the issuance of the Notes: Jones Hall, A Professional Law Corporation, San Francisco, California, has acted as Bond Counsel and Disclosure Counsel to the Authority; Nossaman LLP, Irvine, California, has acted as Underwriter’s Counsel. The fees of these professionals will be paid contingent on the issuance of the Notes.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Authority and the District.

**LAMMERSVILLE SCHOOLS FINANCE
AUTHORITY**

**LAMMERSVILLE JOINT UNIFIED SCHOOL
DISTRICT**

By: _____
Chairman

By: _____
Superintendent

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Site Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement. This summary is not intended to be definitive, and reference is made to the documents for their complete terms.

APPENDIX B
AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR FISCAL YEAR 2011-12

APPENDIX C

PROPOSED FORM OF LEGAL OPINION

[Closing Date]

Lammersville Schools Finance Authority
300 Legacy Drive
Mountain House, California 95391

OPINION: \$_____ Lammersville Schools Finance Authority 2013 Lease Revenue
Notes (Mountain House High School Project)

Members of the Authority:

We have acted as bond counsel to the Lammersville Schools Finance Authority (the "Authority") in connection with the issuance by the Authority of its Lammersville Schools Finance Authority 2013 Lease Revenue Notes (Mountain House High School Project) in the aggregate principal amount of \$_____ (the "Notes"), under a Trust Agreement dated as of April 1, 2013 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"). The Notes are secured by Revenues as defined in the Trust Agreement, including certain lease payments made by the Lammersville Joint Unified School District (the "District") under a Lease Agreement dated as of April 1, 2013 (the "Lease Agreement") between the Authority as lessor and the District as lessee. We have examined the Trust Agreement, the Lease Agreement, the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the District contained in the Trust Agreement, the Lease Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation. Based upon our examination, we are of the opinion, under existing law, as follows:

1. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement and the Lease Agreement, to perform the agreements on its part contained therein and to issue the Notes.

2. The Notes constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.

3. The Trust Agreement and the Lease Agreement have been duly approved by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

4. The Trust Agreement establishes a valid first and exclusive lien on and pledge of the Revenues (as that term is defined in the Trust Agreement) and other funds pledged thereby for the security of the Notes, in accordance with the terms of the Trust Agreement.

5. The District is a school district duly organized and existing under the laws of the State of California, with power to enter into the Lease Agreement and to perform the agreements on its part contained therein. The Lease Agreement has been duly approved by the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.

6. Interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the District comply with all requirements of the Code which must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the District have covenanted in the Trust Agreement, the Lease Agreement and in other instruments relating to the Notes to comply with each of such requirements, and the Authority and the District have full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

7. Interest on the Notes is exempt from California personal income taxation.

The rights of the owners of the Notes and the enforceability of the Notes, the Trust Agreement and the Lease Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

The following information concerning the City of Tracy (the "City") and San Joaquin County (the "County") are included only for the purpose of supplying general information regarding the community. The Notes are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF TRACY AND SAN JOAQUIN COUNTY Population Estimates Calendar Years 2008 through 2012

Calendar Year	City of Tracy	County San Joaquin	State of California
2008	81,490	672,492	36,704,375
2009	82,040	677,833	36,966,713
2010	82,800	684,057	37,223,900
2011	83,242	689,160	37,427,946
2012	83,900	695,750	37,678,563

Source: State Department of Finance estimates (as of January 1, 2012)

Employment and Industry

The District is included in the Stockton Metropolitan Statistical Area ("MSA"), which includes all of San Joaquin County. The unemployment rate in the San Joaquin County was 14.1% in November 2012, up from a revised 13.6% in October 2012, and below the year-ago estimate of 15.8%. This compares with an unadjusted unemployment rate of 9.6% for California and 7.4% for the nation during the same period.

Set forth below is data from calendar years 2007 to 2011 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the District.

**STOCKTON METROPOLITAN STATISTICAL AREA
(San Joaquin County)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	2007	2008	2009	2010	2011
Civilian Labor Force ⁽¹⁾	289,100	293,200	298,200	300,800	297,600
Employment	265,700	262,800	252,700	248,900	247,400
Unemployment	23,400	30,400	45,400	51,900	50,100
Unemployment Rate	8.1%	10.4%	15.2%	17.3%	16.8%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,500	14,900	15,200	15,700	15,100
Mining and Logging	200	200	100	100	100
Construction	13,800	11,400	8,400	7,600	7,300
Manufacturing	21,900	21,200	18,900	17,600	17,500
Wholesale Trade	10,500	10,400	9,900	10,000	10,200
Retail Trade	26,900	25,600	23,700	23,700	24,000
Transportation, Warehousing and Utilities	13,900	14,100	13,900	13,800	14,200
Information	2,500	2,400	2,200	2,100	2,000
Financial Activities	9,900	9,400	8,900	7,700	7,400
Professional and Business Services	18,300	17,600	15,900	15,400	15,000
Educational and Health Services	27,700	28,400	28,300	28,800	29,100
Leisure and Hospitality	17,800	17,500	16,700	16,100	16,200
Other Services	7,700	7,400	7,000	6,500	6,100
Federal Government	3,900	3,900	4,100	4,300	4,000
State Government	4,300	4,300	4,100	3,900	3,800
Local Government	32,100	32,100	31,700	30,000	28,500
Total All Industries	225,900	220,600	209,000	203,400	200,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The following table list the major employers within the County, as of January 2013.

**SAN JOAQUIN COUNTY
Major Employers
As of January 2013**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
All Trade Handyman Mgmt. LLC	Tracy	Handyman Services
B & B Ranch	Linden	Ranches
Blue Shield of California	Lodi	Health Plans
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Division of Juvenile Justice	Stockton	Government Offices-U.S.
Foster Care Service	Stockton	County Government-Social/Human Resources
Lodi Memorial Hospital	Lodi	Hospitals
Lodi Memorial Hospital	Lodi	Home Health Service
Morada Produce Co.	Stockton	Fruits & Vegetables-Growers & Shippers
North California Youth Center	Not Available	Police Departments
O-G Packing & Cold Storage Co.	Stockton	Warehouses-Cold Storage
Pacific Coast Producers	Lodi	Canning (Mfrs)
Picture Me Portrait Studios	Stockton	Photographers-Portrait
Prima Frutta Packing Inc.	Linden	Fruit & Produce Packers
Safeway Distribution Warehouse	Tracy	Distribution Centers (Whls)
San Joaquin County Human Services	Stockton	County Government-Social/Human Resources
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Sheriff
St Joseph's Medical Center	Stockton	Medical Centers
Stockton Police Dept.	Stockton	Police Departments
Tracy Joint Union High School District	Tracy	Schools
Tracy Obstetrics & Gynecology	Tracy	Clinics
University of the Pacific	Stockton	Schools-Universities & Colleges Academic
Walmart Supercenter	Stockton	Department Stores
Waste Management Inc.	Lodi	Garbage Collection

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during the first three quarters of calendar year 2011 in the City were reported to be \$777,568,000, an 16.4% increase over the total taxable sales of \$668,005,000 reported during the first three quarters of calendar year 2010. Annual figures for calendar year 2011 are not yet available.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	826	\$1,020,060	1,476	\$1,176,772
2007	831	976,047	1,517	1,133,674
2008	848	883,180	1,494	1,026,995
2009 ⁽¹⁾	909	752,864	1,338	878,925
2010 ⁽¹⁾	961	829,188	1,382	928,740

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first three quarters of calendar year 2011 in the County were reported to be \$6,142,619,000, a 9.4% increase over the total taxable sales of \$5,615,138,000 reported during the first three quarters of calendar year 2010. Annual figures for calendar year 2011 are not yet available.

COUNTY OF SAN JOAQUIN
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	6,643	\$6,738,173	13,290	\$9,528,419
2007	6,435	6,461,257	13,300	9,326,761
2008	6,824	5,834,396	13,419	8,696,074
2009 ⁽¹⁾	8,203	4,974,437	12,297	7,260,073
2010 ⁽¹⁾	8,534	5,213,982	12,633	7,602,090

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

Effective Buying Income

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

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2007 through 2011.

CITY OF TRACY AND SAN JOAQUIN COUNTY Median Household Effective Buying Income 2007 through 2011

	2007	2008	2009	2010	2011
City of Tracy	\$66,438	\$66,497	\$67,945	\$62,219	\$62,085
San Joaquin County	43,478	43,718	44,434	42,086	42,000
California	48,203	48,952	49,736	47,177	47,062
United States	41,792	42,303	43,252	41,368	41,253

Source: The Nielsen Company (US), Inc.

Building Activity

The table below summarizes building activity in the City and the County from calendar years 2007 through 2011.

CITY OF TRACY Building Permit Activity Dollars in Thousands

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Permit Valuation</u>					
New Single-family	\$3,874.8	\$2,787.7	\$5,550.4	\$4,549.0	\$2,951.8
New Multi-family	259.4	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>3,900.7</u>	<u>1,583.5</u>	<u>1,219.2</u>	<u>1,914.9</u>	<u>2,042.1</u>
Total Residential	8,034.9	4,371.2	6,769.6	6,464.0	4,993.9
New Commercial	4,158.0	80,023.6	1,339.5	13,184.4	213.6
New Industrial	19,998.0	0.0	0.0	0.0	0.0
New Other	5,609.1	4,470.9	1,587.9	1,234.8	52.7
Com. Alterations/Additions	<u>19,236.4</u>	<u>24,485.6</u>	<u>17,036.6</u>	<u>16,082.3</u>	<u>30,056.6</u>
Total Nonresidential	\$49,001.5	\$108,980.1	\$19,964.0	\$30,501.5	\$30,322.9
<u>New Dwelling Units</u>					
Single Family	26	18	28	18	11
Multiple Family	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	28	18	28	18	11

Source: Construction Industry Research Board, Building Permit Summary

COUNTY OF SAN JOAQUIN Building Permit Activity Dollars in Thousands

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Permit Valuation</u>					
New Single-family	\$496,495.0	\$171,391.3	\$160,431.1	\$166,223.0	\$159,012.2
New Multi-family	41,329.0	4,717.6	0.0	15,426.9	14,853.1
Res. Alterations/Additions	<u>49,874.0</u>	<u>34,289.5</u>	<u>25,995.5</u>	<u>28,058.7</u>	<u>48,093.6</u>
Total Residential	587,698.1	210,398.5	186,426.6	209,708.7	221,958.9
New Commercial	252,935.9	306,150.5	18,405.6	31,521.9	45,422.2
New Industrial	112,741.1	38,172.5	3,102.2	1,333.0	9,669.3
New Other	119,439.9	40,025.0	35,574.4	40,130.0	4,709.7
Com. Alterations/Additions	<u>129,865.0</u>	<u>146,515.9</u>	<u>96,536.3</u>	<u>100,108.9</u>	<u>108,216.9</u>
Total Nonresidential	\$614,982.0	\$530,863.9	\$153,618.4	\$173,093.8	\$168,018.1
<u>New Dwelling Units</u>					
Single Family	2,138	770	773	801	728
Multiple Family	<u>341</u>	<u>54</u>	<u>0</u>	<u>157</u>	<u>152</u>
TOTAL	2,479	824	773	958	880

Source: Construction Industry Research Board, Building Permit Summary

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC 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.

Neither the issuer of the Notes (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes (the “Securities”). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

LAMMERSVILLE SCHOOLS FINANCE AUTHORITY 2013 Lease Revenue Notes (Mountain House High School Project)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT (the "District"), for and on behalf of itself and the Lammersville Schools Finance Authority (the "Authority"), in connection with the issuance by the Authority of the notes captioned above (the "Notes"). The Notes are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2013 (the "Trust Agreement"), between The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority.

The District covenants and agrees as follows:

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

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

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

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means _____, or any successor Dissemination Agent, designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) 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 that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement dated _____, 2013, executed by the District in connection with the issuance of the Notes.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2014, with the report for the 2012-13 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure 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 Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The District’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the Annual Report Date, 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) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) contributions made by the District in respect of its health care obligations to current and retired District employees for the preceding fiscal year;

(iv) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(v) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(vi) the District's total revenue limit for the preceding fiscal year;

(vii) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(viii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material 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.

(d) 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 the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) 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 the MSRB, 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)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Notes. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to

any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the 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 legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be _____. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally

recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District

under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

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

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

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Date: _____, 2013

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lammersville Schools Finance Authority

Name of Issue: Lammersville Schools Finance Authority 2013 Lease Revenue Notes (Mountain House High School Project)

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Notes as required by the Continuing Disclosure Certificate dated _____, 2013. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX G

COUNTY INVESTMENT POOL

The following is a general description of the County's investment policy, current portfolio holdings and valuation procedures. The information was provided by the County Treasurer. Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. All questions related to the County investment practices should be directed to the County Treasurer and Tax Collector at _____, _____, California 9_____.

The County Treasurer-Tax Collector manages funds deposited in the County Treasury by the County, County school districts, special districts, trusts and agencies. State law requires that all moneys of the County, school districts and certain special districts be held in the County by the County Treasurer-Tax Collector. The County Treasurer-Tax Collector has accepted funds only from entities located within the County that consists of approximately 930 funds. Twenty-eight schools represent approximately 47% of the pool. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding and other fees and charges.

As of March 31, 2013, the Treasurer's investments were as follows:

**COUNTY OF SAN JOAQUIN
INVESTMENT POOL
Summary of Assets Held (At Cost)**

Currency and Vault	\$
Investments:	
California Revenue Anticipation Notes	
Commercial Paper	
Repurchase Agreements	
L.A.I.F.	
Federal Agencies	
Wells Fargo Sweep	
Medium Term Notes	
Bank Deposits:	
Treasury Bank Balance	
TOTAL TREASURY BALANCE	\$

Source: County Treasurer-Tax Collector

The composition of investments in the County Pool will vary from time-to-time depending on cash flow needs of the County and public agencies invested in the pool, the maturity of investments, purchases of new securities, and due to fluctuations in interest rates.

As of March 31, 2013, the average maturity of the investments in the Pool was approximately ____ days, assuming all callable bonds are held until maturity. Approximately ____% of the portfolio had maturities less than one month, which anticipates two bonds being called in April.

The County Pool is managed stressing safety, liquidity, and return in that order, as required by California Government Code Section 27000.5. All investments are in compliance with California Government Code Section 53601 et seq. and the County Treasurer-Tax Collector's Investment Policy, which was last approved May 2009. Subject to the approval of the Board of Supervisors, the County Treasurer-Tax Collector can amend the Investment Policy. A copy of the current Investment Policy is on file with the Board of Supervisors and a monthly detailed report of investments has been filed with the Board since 1991.