

SEPARATE COVER ITEM

Board Meeting: April 12, 2011

Item No.: 14.1.3

Document: Resolution No. 10-31



TRACY
UNIFIED SCHOOL DISTRICT

BUSINESS SERVICES MEMORANDUM

TO: Dr. James C. Franco, Superintendent
FROM: Dr. Casey Goodall, Associate Superintendent for Business
DATE: April 5, 2011
SUBJECT: **Adopt Resolution No. 10-31 Resolution of the Board of Trustees of the Tracy Joint Unified School District Authorizing the Issuance and Sale of Not to Exceed \$7,000,000 Aggregate Principal Amount of Bonds of School Facilities Improvement District No. 3 of the Tracy Joint Unified School District By a Negotiated Sale Pursuant to One or More Bond Purchase Agreements, Prescribing the Terms of Sale, Approving the Form of and Authorizing the Execution and Delivery of One or More Bond Purchase Agreements and One or More Continuing Disclosure Certificates, Approving the Form of and Authorizing the Distribution of an Official Statement for the Bonds, and Authorizing the Execution of Necessary Documents and Certificates and Related Actions**

BACKGROUND: On June 24, 2008, the Board of Trustees adopted a resolution ordering an election requesting voters authorize the issuance of school facilities improvement district bonds on the ballot held on Tuesday, November 4, 2008 election. The Proposition 39 measure was for the purpose of raising money for the specified school facilities benefiting School Facilities Improvement District No. 3 of the Tracy Joint Unified School District and required a 55% approval from voters. The bond measure received voter approval in excess of the 55% required and the District adopted a resolution certifying the results of the election to the County Board of Supervisors and that all election proceedings were accomplished according to law.

RATIONALE: In March 2009, the District sold the first series of the SFID No. 3 bonds, for \$12 million. On January 11, 2011, the Board approved the Facilities Utilization Committee recommendation to sell up to \$26 million of bonds in order to move ahead with Measure S projects; and, on March 8, 2011, the Board heard a presentation by financial consultants, KNN Public Finance, on the financing plan for the issuance of an additional series of bonds to finance Measure S projects.

The original SFID No. 3 authorization is for \$43.1 million and \$31.1 million remains unissued at this time. The up to \$7 million authorized by this resolution in conjunction with the up to \$18 million authorized by resolution No. 10-30 will provide up to \$25 million in bond funding; the remaining balance of approximately \$6 million will be issued at a future date.

FUNDING: The bonds are to be repaid from taxes to be levied on property within the school facilities improvement district authorized by the voters.

RECOMMENDATIONS: Adopt Resolution No. 10-31 Resolution of the Board of Trustees of the Tracy Joint Unified School District Authorizing the Issuance and Sale of Not to Exceed

\$7,000,000 Aggregate Principal Amount of Bonds of School Facilities Improvement District No. 3 of the Tracy Joint Unified School District By a Negotiated Sale Pursuant to One or More Bond Purchase Agreements, Prescribing the Terms of Sale, Approving the Form of and Authorizing the Execution and Delivery of One or More Bond Purchase Agreements and One or More Continuing Disclosure Certificates, Approving the Form of and Authorizing the Distribution of an Official Statement for the Bonds, and Authorizing the Execution of Necessary Documents and Certificates and Related Actions

Prepared by: Bonny Carter, Director of Facilities and Planning



RESOLUTION NO. 10-31

RESOLUTION OF THE BOARD OF TRUSTEES OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$7,000,000 AGGREGATE PRINCIPAL AMOUNT OF BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT BY A NEGOTIATED SALE PURSUANT TO ONE OR MORE BOND PURCHASE AGREEMENTS, PRESCRIBING THE TERMS OF SALE, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE BOND PURCHASE AGREEMENTS AND ONE OR MORE CONTINUING DISCLOSURE CERTIFICATES, APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT FOR THE BONDS, AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the Board of Trustees (the "Board of Trustees") of the Tracy Joint Unified School District (the "District"), located in the counties of San Joaquin and Alameda, California, has formed School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID"), located wholly within in the County of San Joaquin (the "County");

WHEREAS, the Board of Trustees duly called an election, and such election was regularly held, on behalf of the SFID, on November 4, 2008, at which the following proposition (as abbreviated pursuant to Section 13247 of the California Elections Code) was submitted to the electors of the SFID (the "Bond Measure"):

"To renovate and modernize the community's oldest elementary and middle schools, upgrade classrooms, replace aging roofs, old heating, electrical, plumbing, cooling and ventilation systems with energy efficient systems, and improve security and technology systems at all schools, increasing student access to computers, shall School Facilities Improvement District No. 3 of the Tracy Joint Unified School District be authorized to issue \$43,100,000 in bonds, at legal interest rates, with all expenditures monitored by an Independent Citizens' Oversight Committee?"

WHEREAS, at least 55% of the votes cast on the proposition were in favor of issuing the bonds;

WHEREAS, on May 5, 2009, pursuant to a resolution of the Board of Supervisors (the "Board of Supervisors") of the County adopted on February 24, 2009, at the request of the District pursuant to a resolution of the Board of Trustees of the District adopted on February 10, 2009, a series of said bonds designated the "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2009" in an aggregate principal amount of \$12,000,000 was issued and sold;

WHEREAS, Sections 53506 and following of the California Government Code (the "Government Code"), including Section 53508.7 thereof, provide that a school district may issue and sell bonds on its own behalf at a private or negotiated sale pursuant to Sections 15140 and 15146 of the California Education Code (the "Education Code");

WHEREAS, Section 15140(b) of the Education Code provides that the board of supervisors of a county may authorize a school district in the county to issue and sell its own bonds without the further action of the board of supervisors or officers of the county if said school district has not received a qualified or negative certification in its most recent interim report;

WHEREAS, the District has not received a qualified or negative certification in its most current interim report;

WHEREAS, the Board of Trustees of the District deems it necessary and desirable to authorize and consummate the sale of a portion of the bonds, in one or more series or subseries, designated the "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B" (the "Series 2011B Bonds"), with such additional or other series or subseries designations as may be approved as herein provided, in an aggregate principal amount not exceeding \$7,000,000, according to the terms and in the manner hereinafter set forth;

WHEREAS, the Series 2011B Bonds shall be issued and sold by the District on its own behalf at a negotiated sale pursuant to authorization obtained from the Board of Supervisors of the County;

WHEREAS, the Board of Trustees of the District has deemed it necessary and desirable that, simultaneously with the issuance of the Series 2011B Bonds, an additional portion of said authorized bonds in an aggregate principal amount of not to exceed \$18,000,000 be separately issued, which portion of said bonds is to be designated "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A";

WHEREAS, the Board of Trustees has determined that securing the timely payment of the principal of and interest on the Series 2011B Bonds by obtaining a municipal bond insurance policy with respect thereto could be economically advantageous to the District;

WHEREAS, a form of Bond Purchase Agreement (each Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as a "Bond Purchase Agreement") to purchase the Series 2011B Bonds proposed to be entered into with Stone & Youngberg LLC, as underwriter (the "Underwriter"), has been prepared;

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Series 2011B Bonds, the Underwriter must have reasonably determined that the issuer or other obligated person has undertaken in a written agreement or contract for the benefit of the holders of the Series 2011B Bonds to provide disclosure of certain financial information and certain material events on an ongoing basis;

WHEREAS, in order to cause such requirement to be satisfied, the District desires to execute and deliver one or more Continuing Disclosure Certificates (each such Continuing Disclosure Certificate, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as a "Continuing Disclosure Certificate"), a form of which has been prepared;

WHEREAS, the Preliminary Official Statement to be distributed in connection with the public offering of the Series 2011B Bonds (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement") has been prepared;

WHEREAS, the Board of Trustees has been presented with the form of each document referred to herein relating to the financing contemplated hereby, and the Board of Trustees has examined each document and desires to approve, authorize and direct the execution of such documents and the consummation of such financing;

WHEREAS, the District desires that the Auditor-Controller of the County annually establish tax rates on taxable property within the SFID for repayment of the Series 2011B Bonds, pursuant to Sections 29100-29103 of the Government Code, that the Board of Supervisors of the County annually approve the levy of such tax, and that the Treasurer-Tax Collector of the County annually collect such tax and apply the proceeds thereof to the payment of principal of and interest on the Series 2011B Bonds when due, all pursuant to Sections 15250 and 15251 of the Education Code; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Tracy Joint Unified School District, as follows:

Section 1. Recitals. All of the above recitals are true and correct and the Board of Trustees so finds.

Section 2. Definitions. Unless the context clearly otherwise requires, the terms defined in this Section shall, for all purposes of this Resolution, have the meanings specified herein, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Auditor-Controller” means the Auditor-Controller of the County or any authorized deputy thereof.

“Authorized Officers” means the President of the Board of Trustees, or such other member of the Board of Trustees as the President may designate, the Superintendent of the District and the Associate Superintendent of Business Services of the District, or such other officer or employee of the District as the Superintendent may designate.

“Board of Supervisors” means the Board of Supervisors of the County.

“Board of Trustees” means the Board of Trustees of the District.

“Bond Purchase Agreement” means the applicable Bond Purchase Agreement relating to the sale of all or a portion of the Series 2011B Bonds by and between the District and the Underwriter in accordance with the provisions hereof.

“Capital Appreciation Bonds” means the Series 2011B Bonds accreting interest semiannually to the maturity date thereof payable in accordance with Section 5(e) hereof.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2011B Bonds.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Certificate” means the applicable Continuing Disclosure Certificate executed and delivered by the District relating to all or a portion of the Series 2011B Bonds.

“Conversion Date” means the date a Convertible Capital Appreciation Bond converts to a bond bearing interest payable semiannually on a current basis.

“Convertible Capital Appreciation Bonds” means those Series 2011B Bonds accreting interest semiannually to the Conversion Date thereof and bearing interest payable semiannually on a current basis from and after the Conversion Date thereof, all in accordance with Section 5(f) hereof.

“County” means the County of San Joaquin.

“Current Interest Bonds” means those Series 2011B Bonds bearing interest payable semiannually on a current basis in accordance with Section 5(d) hereof.

“District” means the Tracy Joint Unified School District.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Series 2011B Bonds, including any such successor thereto appointed pursuant to Section 9 hereof.

“Interest Date” means February 1 and August 1 of each year (a) commencing on February 1, 2012, with respect to the Current Interest Bonds and, for purposes of compounding interest on the Capital Appreciation Bonds and, to their Conversion Dates, Convertible Capital Appreciation Bonds, commencing on August 1, 2011, or such other dates as may be set forth in the applicable Bond Purchase Agreement, and (b) with respect to Convertible Capital Appreciation Bonds, from and after their Conversion Date, commencing on the February 1 or August 1 immediately following such Conversion Date, or such other dates as may be set forth in the applicable Bond Purchase Agreement.

“Official Statement” means the Official Statement of the District relating to the Series 2011B Bonds.

“Opinion of Bond Counsel” means an opinion of counsel of nationally recognized standing in the field of law relating to municipal bonds.

“Owner” means, with respect to any Series 2011B Bond, the person whose name appears on the Registration Books as the registered Owner thereof.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., or any bank, trust company, national banking association or other financial institution appointed as Paying Agent to act as authenticating agent, bond registrar, transfer agent and paying agent for the Series 2011B Bonds in accordance with Section 8 hereof.

“Preliminary Official Statement” means the Preliminary Official Statement of the District relating to the Series 2011B Bonds.

“Record Date” means, with respect to any Interest Date for the Series 2011B Bonds, the 15th day of the calendar month immediately preceding such Interest Date, whether or not such day is a business day, or such other date or dates as may be set forth in the applicable Bond Purchase Agreement.

“Registration Books” means the books for the registration and transfer of the Series 2011B Bonds maintained by the Paying Agent in accordance with Section 8(d) hereof.

“Series 2011B Bonds” means the bonds authorized and issued pursuant to this Resolution, in one or more series or subseries, designated the “Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series

2011B,” with such additional or other series or subseries designations as may be approved as herein provided

“**SFID**” means the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District.

“**State**” means the State of California.

“**Tax Certificate**” means the Tax Certificate(s) with respect to the Series 2011B Bonds, executed by the District, dated the date of issuance of such Series 2011B Bonds.

“**Treasurer**” means Treasurer-Tax Collector of the County or any authorized deputy thereof.

“**Underwriter**” means Stone & Youngberg LLC, as underwriter.

Section 3. Authorization and Designation of Bonds. The Series 2011B Bonds described herein are being issued pursuant to the authority of Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including applicable provisions of the Education Code. The Board of Trustees hereby authorizes the issuance and sale of not to exceed \$7,000,000 aggregate principal amount of Series 2011B Bonds. The Series 2011B Bonds may be issued in one or more series or subseries and shall be designated “Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B,” with appropriate additional or other series or subseries designations as approved by an Authorized Officer. The Series 2011B Bonds may be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds, or any combination thereof, all as provided in Section 5 hereof. The proceeds of the Series 2011B Bonds, exclusive of any premium and accrued interest received, shall be applied to finance projects authorized to be financed under the Bond Measure.

Section 4. Form of Bonds; Execution. (b) *Form of Series 2011B Bonds.* The Series 2011B Bonds shall be issued in fully registered form without coupons. The Current Interest Bonds, the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds, and the certificate of authentication and registration and the forms of assignment to appear on each of them, shall be in substantially the forms attached hereto as Exhibit A, Exhibit B and Exhibit C, respectively, with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution.

(c) *Execution of Bonds.* The Series 2011B Bonds shall be signed by the manual or facsimile signatures of the President of the Board of Trustees, and countersigned by the manual or facsimile signature of the Clerk of the Board of Trustees. The Series 2011B Bonds shall be authenticated by a manual signature of a duly authorized signatory of the Paying Agent.

(d) *Valid Authentication.* Only such of the Series 2011B Bonds as shall bear thereon a certificate of authentication and registration as described in subsection (a) of this Section, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of authentication and registration shall be

conclusive evidence that the Series 2011B Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

(e) *Identifying Number.* The Paying Agent shall assign each Series 2011B Bond authenticated and registered by it a distinctive letter, or number, or letter and number, and shall maintain a record thereof at its principal office, which record shall be available to the District and the County for inspection.

Section 5. Terms of Bonds. (b) *Date of Series 2011B Bonds.* The Current Interest Bonds shall be dated the date of their delivery, or such other date as shall be set forth in the applicable Bond Purchase Agreement. The Capital Appreciation Bonds shall be dated the date of their delivery, or such other date as shall be set forth in the applicable Bond Purchase Agreement. The Convertible Capital Appreciation Bonds shall be dated the date of their delivery, or such other date as shall be set forth in the applicable Bond Purchase Agreement.

(c) *Denominations.* The Current Interest Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds shall be issued in denominations of \$5,000 accreted value at maturity ("maturity value") or any integral multiple thereof, except that the first numbered Capital Appreciation Bond may be issued in a denomination such that the maturity value of such Capital Appreciation Bond shall not be an integral multiple of \$5,000. The Convertible Capital Appreciation Bonds shall be issued in denominations of \$5,000 accreted value at their Conversion Date or any integral multiple thereof.

(d) *Maturity.* The Current Interest Bonds shall mature on the date or dates, in each of the years, in the principal amounts and in the aggregate principal amount as shall be set forth in the applicable Bond Purchase Agreement. No Current Interest Bond shall mature later than the date which is 40 years from the date of the Current Interest Bonds, to be determined as provided in subsection (a) of this Section. No Current Interest Bond shall have principal maturing on more than one principal maturity date. The Bond Purchase Agreement may provide that no Current Interest Bonds shall be issued.

The Capital Appreciation Bonds shall mature on the date or dates, in each of the years, and in such maturity values as shall be set forth in the applicable Bond Purchase Agreement. No Capital Appreciation Bond shall mature later than the date which is 40 years from the date of the Capital Appreciation Bonds, to be determined as provided in subsection (a) of this Section. No Capital Appreciation Bond shall have principal maturing on more than one principal maturity date. The Bond Purchase Agreement may provide that no Capital Appreciation Bonds shall be issued.

The Convertible Capital Appreciation Bonds shall have Conversion Dates of and mature on the date or dates, in each of the years, in the accreted amounts and in the stated values at their Conversion Date as shall be set forth in the applicable Bond Purchase Agreement. No Convertible Capital Appreciation Bond shall mature later than the date which is 40 years from the date of the Convertible Capital Appreciation Bonds, to be determined as provided in subsection (a) of this Section. No Convertible Capital Appreciation Bond shall have principal

maturing on more than one principal maturity date. The Bond Purchase Agreement may provide that no Convertible Capital Appreciation Bonds shall be issued.

The Current Interest Bonds, the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds may mature in the same year or years as any other Current Interest Bonds, Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, without limitation. The aggregate principal amount of the Series 2011B Bonds issued as Current Interest Bonds, Capital Appreciation Bonds or Convertible Capital Appreciation Bonds shall not exceed \$7,000,000.

(e) *Interest; Current Interest Bonds.* The Current Interest Bonds shall bear interest at an interest rate not to exceed 12.00% per annum, payable on the Interest Dates in each year computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

(f) *Interest; Capital Appreciation Bonds.* The Capital Appreciation Bonds shall not bear current interest; each Capital Appreciation Bond shall accrete in value daily over the term to its maturity (on the basis of a 360-day year consisting of twelve 30-day months), from its initial principal (denominational) amount on the date of issuance thereof to its stated maturity value at maturity thereof, on the basis of a constant interest rate (which shall not exceed 12.00% per annum) compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates). The accreted value per \$5,000 maturity value of the Capital Appreciation Bonds on each Interest Date shall be given for reference in a table of accreted values to appear in the Capital Appreciation Bonds; provided, however, that the accreted value determined in accordance with this Section shall prevail over any different accreted value given in such table. Interest on the Capital Appreciation Bonds shall be payable only upon maturity or prior redemption thereof.

(g) *Interest; Convertible Capital Appreciation Bonds.* The Convertible Capital Appreciation Bonds shall not bear current interest prior to their respective Conversion Dates; each Convertible Capital Appreciation Bond shall accrete in value daily from its initial principal (denominational) amount on the date of issuance thereof to its stated value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), on the basis of a constant interest rate (which shall not exceed 12.00% per annum) compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates). From and after the respective Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bonds shall bear current interest on the accreted value thereof at an interest rate not to exceed 12.00% per annum, computed on the basis of a 360-day year of twelve 30-day months, payable on the Interest Dates in each year following its Conversion Date. Following the Conversion Date with respect thereto, each Convertible Capital Appreciation Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is

authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it shall bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Section 6. Payment of Bonds. (b) *Request for Tax Levy.* The money for the payment of principal, redemption premium, if any, and interest on the Series 2011B Bonds shall be raised by taxation upon all taxable property in the SFID and provision shall be made for the levy and collection of such taxes in the manner provided by law and for such payment out of the interest and sinking fund of the SFID. The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Series 2011B Bonds in such year, and to pay from such taxes all amounts due on the Series 2011B Bonds. The District hereby requests the Board of Supervisors to annually levy a tax upon all taxable property in the SFID sufficient to redeem the Series 2011B Bonds, and to pay the principal, redemption premium, if any, and interest thereon as and when the same become due.

(c) *Principal.* The principal of the Current Interest Bonds and the accreted value of the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent.

(d) *Interest; Record Date.* The interest on the Current Interest Bonds and the Convertible Capital Appreciation Bonds after the Conversion Date shall be payable on each Interest Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Date, such interest to be paid by check or draft mailed on such Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to such Owner at such Owner's address as it appears on the Registration Books or at such address as the Owner may have filed with the Paying Agent for that purpose except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 of outstanding Current Interest Bonds or Convertible Capital Appreciation Bonds after the Conversion Date who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Date.

(e) *Interest and Sinking Fund.* Principal and interest due on the Series 2011B Bonds shall be paid from the interest and sinking fund of the SFID as provided in Section 15146 of the Education Code.

(f) *Obligation of the District.* No part of any fund or account of the County is pledged or obligated to the payment of the Series 2011B Bonds.

(g) *Insurance.* The payment of principal of and interest on all or a portion of the Series 2011B Bonds may be secured by a municipal bond insurance policy as shall be described in the applicable Bond Purchase Agreement. Each Bond Purchase Agreement executed with respect to the Series 2011B Bonds may provide that no municipal bond insurance policy shall be obtained. The Authorized Officers are each hereby authorized and directed to qualify the District for municipal bond insurance for the Series 2011B Bonds and authorize that such insurance be obtained if the present value cost of such insurance is less than the present value of the estimated interest savings with respect to the Series 2011B Bonds. The Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver a contract or contracts for such insurance if such contract is deemed by the Authorized Officer executing the same to be in the best interests of the District, such determination to be conclusively evidenced by such Authorized Officer's execution and delivery of such contract.

Section 7. Redemption Provisions. (b) *Optional Redemption.* The Series 2011B Bonds may be subject to redemption, at the option of the District, on the dates and terms as shall be designated in the applicable Bond Purchase Agreement. The applicable Bond Purchase Agreement may provide that the Series 2011B Bonds shall not be subject to optional redemption, and may provide separate and distinct redemption provisions for the Current Interest Bonds, the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds.

(c) *Selection.* If less than all of the Series 2011B Bonds (Current Interest Bonds, Capital Appreciation Bonds or Convertible Capital Appreciation Bonds), if any, are subject to such redemption and are called for redemption, such Series 2011B Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District (or as otherwise set forth in the applicable Bond Purchase Agreement), and if less than all of the Series 2011B Bonds of any given maturity are called for redemption, the portions of such Series 2011B Bonds of a given maturity to be redeemed shall be determined by lot (or as otherwise set forth in the applicable Bond Purchase Agreement).

(d) *Mandatory Sinking Fund Redemption.* The Series 2011B Bonds, if any, which are designated in a Bond Purchase Agreement as term bonds shall also be subject to redemption prior to their stated maturity dates, without a redemption premium, in part by lot (or as otherwise set forth in the applicable Bond Purchase Agreement), from mandatory sinking fund payments in the amounts and in accordance with the terms to be specified in such Bond Purchase Agreement. Unless otherwise provided in the applicable Bond Purchase Agreement, the principal amount of each mandatory sinking fund payment of any maturity shall be reduced proportionately or as otherwise directed by the District by the amount of any Series 2011B Bonds of that maturity redeemed in accordance with subsection (a) of this Section prior to the mandatory sinking fund payment date. The applicable Bond Purchase Agreement may provide that the Series 2011B Bonds shall not be subject to mandatory sinking fund redemption. The Auditor-Controller is hereby authorized to create such sinking funds or accounts for the term Series 2011B Bonds as shall be necessary to accomplish the purposes of this Section.

(e) *Notice of Redemption.* Notice of any redemption of the Series 2011B Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the

addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate.

Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Series 2011B Bonds and the date of issue of the Series 2011B Bonds; (iii) the redemption date; (iv) the redemption price; (v) the series of Series 2011B Bonds and the dates of maturity or maturities of Series 2011B Bonds to be redeemed; (vi) if less than all of the Series 2011B Bonds of a series of any maturity are to be redeemed, the distinctive numbers of the Series 2011B Bonds of each maturity of such series to be redeemed; (vii) in the case of Series 2011B Bonds of a series redeemed in part only, the respective portions of the principal amount of the Series 2011B Bonds of each maturity of such series to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2011B Bonds of a series to be redeemed; (ix) a statement that such Series 2011B Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2011B Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

(f) *Effect of Notice.* A certificate of the Paying Agent that notice of redemption has been given to Owners as herein provided shall be conclusive as against all parties. Neither the failure to receive the notice of redemption as provided in this Section, nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of the Series 2011B Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Series 2011B Bonds called for redemption is set aside for the purpose as described in subsection (g) of this Section, the Series 2011B Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2011B Bonds at the place specified in the notice of redemption, such Series 2011B Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2011B Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the interest and sinking fund of the SFID or the trust fund established for such purpose. All Series 2011B Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

(g) *Right to Rescind Notice.* The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2011B Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the interest and sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2011B Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2011B Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

(h) *Funds for Redemption.* Prior to or on the redemption date of any Series 2011B Bonds there shall be available in the interest and sinking fund of the SFID, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as in this Resolution provided, the Series 2011B Bonds designated in the notice of redemption. Such monies shall be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series 2011B Bonds to be redeemed upon presentation and surrender of such Series 2011B Bonds, provided that all monies in the interest and sinking fund of the SFID shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the interest and sinking fund of the SFID, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series 2011B Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the interest and sinking fund of the SFID or otherwise held in trust for the payment of redemption price of the Series 2011B Bonds, the monies shall be held in or returned or transferred to the interest and sinking fund of the SFID for payment of any outstanding bonds of the SFID payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the SFID, the monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the SFID are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

(i) *Defeasance of Bonds.* If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Series 2011B Bonds all or any part of the principal, interest and premium, if any, on the Series 2011B Bonds at the times and in the manner provided herein and in the Series 2011B Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners shall cease to be entitled to the obligation of the District as provided in Section 6 hereof, and such obligation and all agreements and covenants of the District and of the County to such Owners hereunder and under the Series 2011B Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Series 2011B Bonds, but only out of monies on deposit in the interest and sinking fund of the SFID or otherwise held in trust for such payment; and provided further, however, that the provisions of subsection (i) of this Section shall apply in all events.

For purposes of this Section, the District may pay and discharge any or all of the Series 2011B Bonds by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the interest and sinking fund of the SFID, be fully sufficient to pay and discharge the indebtedness on such Series 2011B Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

(j) *Unclaimed Monies.* Any money held in any fund created pursuant to this Resolution, or by the Paying Agent or an escrow agent in trust, for the payment of the principal or accreted

value of, redemption premium, if any, or interest on the Series 2011B Bonds and remaining unclaimed for two years after the principal or accreted value of all of the Series 2011B Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the interest and sinking fund of the SFID for payment of any outstanding bonds of the SFID payable from the fund; or, if no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

Section 8. Paying Agent. (b) *Appointment; Payment of Fees and Expenses.* This Board of Trustees does hereby consent to and confirm the appointment of The Bank of New York Mellon Trust Company, N.A., to act as the initial paying agent for the Series 2011B Bonds. All fees and expenses of the paying agent shall be the sole responsibility of the District, and to the extent not paid from the proceeds of sale of the Series 2011B Bonds, or from the interest and sinking fund of the SFID, insofar as permitted by law, including specifically by Section 15232 of the Education Code, such fees and expenses shall be paid by the District.

(c) *Resignation, Removal and Replacement of Paying Agent.* The Paying Agent initially appointed or any successor Paying Agent may resign from service as Paying Agent and may be removed at any time by the District as provided in the Paying Agent's service agreement. If at any time the Paying Agent shall resign or be removed, the District shall appoint a successor Paying Agent, which shall be any bank, trust company, national banking association or other financial institution doing business in and having a corporate trust office in California, with at least \$100,000,000 in net assets.

(d) *Principal Corporate Trust Office.* The initial Paying Agent, and any successor Paying Agent, shall designate each place or places where it will conduct the functions of transfer, registration, exchange, payment, and surrender of the Bonds, and any reference herein to the "principal corporate trust office" of the Paying Agent shall mean the office so designated for a particular purpose. If no office is so designated for a particular purpose, such functions shall be conducted at the office of The Bank of New York Mellon Trust Company, N.A. in Los Angeles, California, or the principal corporate trust office of any successor Paying Agent.

(e) *Registration Books.* The Paying Agent shall keep or cause to be kept at its principal corporate trust office sufficient books for the registration and transfer of the Series 2011B Bonds, which shall at all times be open to inspection by the District and the County, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on the Registration Books, Series 2011B Bonds as provided in Sections 9 and 10 hereof. The Paying Agent shall keep accurate records of all funds administered by it and of all Series 2011B Bonds paid and discharged by it. Such records shall be provided, upon reasonable request, to the District in a format mutually agreeable to the Paying Agent and the District.

Section 9. Transfer Under Book-Entry System; Discontinuation of Book-Entry System. (b) Unless otherwise specified in the applicable Bond Purchase Agreement, DTC is hereby appointed depository for each series of the Series 2011B Bonds and the Series 2011B Bonds shall be issued in book-entry form only, and shall be initially registered in the name of "Cede & Co.," as nominee of DTC. One bond certificate shall be issued for each maturity of each series or subseries of the Current Interest Bonds, the Capital Appreciation Bonds and the

Convertible Capital Appreciation Bonds; provided, however, that if different CUSIP numbers are assigned to Series 2011B Bonds of a series or subseries maturing in a single year or, if Series 2011B Bonds of the same series or subseries maturing in a single year are issued with different interest rates, additional bond certificates shall be prepared for each such maturity. Registered ownership of such Series 2011B Bonds of each such maturity, or any portion thereof, may not thereafter be transferred except as provided in this Section or Section 10 hereof:

(i) To any successor of DTC, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a "substitute depository"); provided, however that any successor of DTC, as nominee of DTC or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the District, upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the District to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the District can be obtained, or (2) a determination by the District that it is in the best interests of the District to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this Section, upon receipt of the outstanding Series 2011B Bonds by the Paying Agent, together with a written request of the District to the Paying Agent, a new Series 2011B Bond for each maturity shall be executed and delivered (in the case of Current Interest Bonds, in the aggregate principal amount of such Current Interest Bonds then outstanding, in the case of Capital Appreciation Bonds, in the aggregate maturity value of such Capital Appreciation Bonds then outstanding, and in the case of Convertible Capital Appreciation Bonds, in the aggregate accreted value at the Conversion Date of such Convertible Capital Appreciation Bonds then outstanding), registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) of this Section, upon receipt of the outstanding Series 2011B Bonds by the Paying Agent together with a written request of the District to the Paying Agent, new Series 2011B Bonds shall be executed and delivered in such denominations, numbered in the manner determined by the Paying Agent, and registered in the names of such persons, as are requested in such written request of the District, subject to the limitations of Section 5 hereof and the receipt of such a written request of the District, and thereafter, the Series 2011B Bonds shall be transferred pursuant to the provisions set forth in Section 10 hereof; provided, however, that the Paying Agent shall not be required to deliver such new Series 2011B Bonds within a period of less than 60 days after the receipt of any such written request of the District.

(d) In the case of partial redemption or an advance refunding of the Series 2011B Bonds evidencing all or a portion of the principal amount then outstanding, DTC shall make an appropriate notation on the Series 2011B Bonds indicating the date and amounts of such reduction in principal.

(e) The District and the Paying Agent shall be entitled to treat the person in whose name any Series 2011B Bond is registered as the owner thereof, notwithstanding any notice to the contrary received by the District or the Paying Agent; and the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Series 2011B Bonds, and neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except for the Owner of any Series 2011B Bonds.

(f) So long as the outstanding Series 2011B Bonds are registered in the name of Cede & Co. or its registered assigns, the District and the Paying Agent shall cooperate with Cede & Co., as sole registered Owner, or its registered assigns in effecting payment of the principal of and interest on the Series 2011B Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Section 10. Transfer and Exchange. (b) *Transfer.* Following the termination or removal of DTC or successor depository pursuant to Section 9 hereof, any Series 2011B Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Series 2011B Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Series 2011B Bond or Series 2011B Bonds shall be surrendered for transfer, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, as provided in Section 4 hereof, a new Series 2011B Bond or Series 2011B Bonds, of the same maturity, Interest Date and interest rate (in the case of Current Interest Bonds, for a like aggregate principal amount, in the case of Capital Appreciation Bonds, for a like aggregate maturity value, and in the case of Convertible Capital Appreciation Bonds, for a like aggregate accreted value at the Conversion Date). The Paying Agent may require the payment by any Owner of Series 2011B Bonds requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of any Series 2011B Bond shall be required to be made by the Paying Agent (i) during the period established by the Paying Agent for selection of the Series 2011B Bonds for redemption, and (ii) after any Series 2011B Bond has been selected for redemption.

(c) *Exchange.* The Series 2011B Bonds may be exchanged for Series 2011B Bonds of other authorized denominations of the same maturity and Interest Date, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Series 2011B Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed request for exchange in a form approved by the Paying Agent.

Whenever any Series 2011B Bond or Series 2011B Bonds shall be surrendered for exchange, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, as provided in Section 4 hereof, a new Series 2011B Bond or Series 2011B Bonds of the same maturity and interest payment mode and interest rate (in the case of Current Interest Bonds, for a like aggregate principal amount, in the case of Capital Appreciation Bonds, for a like aggregate maturity value, and in the case of Convertible Capital Appreciation Bonds, for a like aggregate accreted value at the Conversion Date). The Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of any Series 2011B Bonds shall be required to be made by the Paying Agent (i) during the period established by the Paying Agent for selection of the Series 2011B Bonds for redemption, and (ii) after any Series 2011B Bond has been selected for redemption.

Section 11. Bond Purchase Agreement; Sale of Bonds. The form of Bond Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver one or more Bond Purchase Agreements in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that (a) the true interest cost for Series 2011B Bonds shall not be in excess of 8.00%, (b) the interest rate on the Current Interest Bonds and, from and after their Conversion Dates, the Convertible Capital Appreciation Bonds, shall not exceed 12.00% per annum, (c) the Capital Appreciation Bonds and, to their Conversion Dates, the Convertible Capital Appreciation Bond, shall accrete in value at a compounded interest rate not to exceed 12.00% per annum, (d) the Underwriter's discount for the sale of Series 2011B Bonds shall not exceed 0.65% of the principal amount of such Series 2011B Bonds exclusive of any costs of issuance the Underwriter contracts to pay, and (e) the Series 2011B Bonds shall otherwise conform to the limitations specified herein.

The Bond Purchase Agreement shall recite the aggregate principal amount of the Series 2011B Bonds, and with respect to the Current Interest Bonds, shall recite the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity thereof, the initial and semiannual Interest Dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, if any, with respect to the Capital Appreciation Bonds, shall recite the date thereof, the initial principal amounts, maturity dates, and maturity values of each maturity thereof, the initial and semiannual Interest Dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, if any, and with respect to the Convertible Capital Appreciation Bonds, shall recite the date thereof, the initial principal amounts, Conversion Dates, maturity dates, and stated value at the Conversion Date of each maturity thereof, the initial and semiannual Interest Dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, if any.

The Board of Trustees hereby finds and determines that the sale of the Series 2011B Bonds at negotiated sale as contemplated herein and by the applicable Bond Purchase Agreement will provide more flexibility in the timing of the sale, and ability to implement the sale in a

shorter time period, an increased ability to structure the Series 2011B Bonds to fit the needs of particular purchasers, and greater opportunity for the Underwriter to pre-market the Series 2011B Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds. Estimates of the costs associated with the issuance of the Series 2011B Bonds, including any such costs which the Underwriter may agree to pay pursuant to the applicable Bond Purchase Agreement, are set forth on Exhibit D attached hereto and incorporated herein.

In accordance with Section 15146(g) of the Education Code, to the extent not contracted to be paid by the Underwriter, the Authorized Officers are each hereby authorized to cause to be deposited in a costs of issuance account, which may be held by The Bank of New York Mellon Trust Company, N.A., as cost of issuance administrator, proceeds of sale of the Series 2011B Bonds (exclusive of any premium or accrued interest received) in an amount not exceeding 2.00% of the principal amount of the Series 2011B Bonds sold, as shall be set forth in the applicable Bond Purchase Agreement, for the purposes of paying the costs associated with the issuance of the Series 2011B Bonds not contracted to be paid by the Underwriter, if any.

In accordance with subsection (h) and (i) of Section 15146 of the Education Code, the Authorized Officers are each hereby authorized to cause to be deposited in the interest and sinking fund of the SFID proceeds of sale of the Series 2011B Bonds (in addition to any premium or accrued interest received) to fund (i) an annual reserve permitted by Section 15250 of the Education Code, and/or (ii) capitalized interest in an amount not exceeding the interest scheduled to become due on the Series 2011B Bonds for a period of two years from the date of issuance of the Series 2011B Bonds, as shall be set forth in the applicable Bond Purchase Agreement, if any such a deposit is deemed by the Authorized Officer executing the same to be in the best interests of the District.

Section 12. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver one or more Continuing Disclosure Certificates in substantially said form, as is necessary to cause the requirements of Rule 15c2-12 to be satisfied, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such determination, requirement or approval to be conclusively evidenced by the execution of the applicable Continuing Disclosure Certificate by such Authorized Officer.

Section 13. Preliminary Official Statement. The Preliminary Official Statement to be distributed in connection with the public offering of the Series 2011B Bonds, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, with such changes, insertions and omissions as may be approved by an Authorized Officer, is hereby approved, and the use of such Preliminary Official Statement in connection with the offering and sale of the Series 2011B Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the District that such Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2 12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

Section 14. Official Statement. The preparation and delivery of an Official Statement with respect to the Series 2011B Bonds, and its use by the Underwriter in connection with the offering and sale of the Series 2011B Bonds, is hereby authorized and approved. Such Official Statement shall be in substantially the form of the Preliminary Official Statement distributed in connection with the public offering of the Series 2011B Bonds with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the District, to execute the final Official Statement with respect to the Series 2011B Bonds and any amendment or supplement thereto and thereupon to cause such final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 15. Investment of Proceeds. (b) All funds held in the interest and sinking fund of the SFID shall be invested at the discretion of the Treasurer of the County. Except as provided in subsection (b) of this Section, proceeds of the Series 2011B Bonds held improvement fund of the SFID shall be invested at the sole discretion of the Treasurer of the County pursuant to State law, including Government Code Section 53601 *et. seq.*, as the same may be amended or supplemented from time to time, and the investment policy of the County.

(c) To the extent permitted by law and upon approval of the Treasurer (i) at the written request of an Authorized Officer, each of whom is hereby expressly authorized to make such request, all or any portion of the improvement fund of the SFID may be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State, and (ii) at the written request of an Authorized Officer, each of whom is hereby expressly authorized to make such request, all or any portion of the improvement fund of the SFID may be invested on behalf of the District, in investment agreements, including guaranteed investment contracts, float contracts or other investment products (collectively, "Investment Agreements"), which comply with the requirements of each rating agency then rating the Series 2011B Bonds necessary in order to maintain the then-current rating on the Series 2011B Bonds. Pursuant to Section 5922 of the Government Code, the Board of Trustees hereby finds and determines that the Investment Agreements will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreements and are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Series 2011B Bonds or enhance the relationship between risk and return with respect to investments of proceeds of the Series 2011B Bonds and funds held to pay the Series 2011B Bonds.

Section 16. Tax Covenants. (b) The District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on Series 2011B Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District hereby covenants that it will comply with the requirements of the Tax Certificate. The provisions of this subsection (a) shall survive payment in full or defeasance of the Series 2011B Bonds.

(c) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any monies held by the Treasurer of the County on behalf of the District, in accordance with this Resolution

or pursuant to law, the District shall so request of the Treasurer in writing, and the District shall make its best efforts to ensure that the Treasurer shall take such action as may be necessary in accordance with such instructions.

(d) Notwithstanding any provision of this Section, if the District shall provide to the Treasurer of the County an Opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2011B Bonds under Section 103 of the Code, the Treasurer may conclusively rely on such Opinion of Bond Counsel in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 17. Professional Services. Orrick, Herrington & Sutcliffe LLP shall serve as bond counsel to the District and as disclosure counsel to the District for the Series 2011B Bonds. Stone & Youngberg LLC shall serve as underwriter for the Series 2011B Bonds. KNN Public Finance, A Division of Zions First National Bank, shall serve as financial advisor for the Series 2011B Bonds.

Section 18. Delegation of Authority. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, without limitation negotiating the terms of the insurance policy, if any, referred to herein.

Section 19. Approval of Actions. All actions heretofore taken by the officers, employees and agents of the District with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 20. Filing with County. The Superintendent, or such other officer or employee of the District as the Superintendent may designate, is hereby authorized and directed to report to the Auditor-Controller of the County the final terms of sale of the Series 2011B Bonds, and to file with the Auditor-Controller and with the Treasurer of the County a copy of each executed Bond Purchase Agreement and this Resolution, and the schedule of amortization of the principal of and payment on the Series 2011B Bonds, and to file with the Treasurer of the County a proposed schedule of draws on the improvement fund of the SFID, and this Resolution shall serve as the notice required to be given by Section 15140(c) of the Education Code and as the District's request to the Auditor-Controller of the County and the Board of Supervisors of the County to propose and adopt in each year a tax rate applicable to all taxable property of the SFID for payment of the Series 2011B Bonds, pursuant to law; and to the other officers of the County to levy and collect said taxes for the payment of the Series 2011B Bonds, to pay in a timely manner to the Paying Agent on behalf of the Owners of the Series 2011B Bonds the principal, interest, and premium, if any, due on the Series 2011B Bonds in each year, and to create in the County treasury to the credit of the District an improvement fund of the SFID and an interest and sinking fund of the SFID pursuant to Section 15357 of the Education Code.

Section 21. Indemnification of County. The District shall indemnify and hold harmless, to the extent permitted by law, the County and its officers and employees ("Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the adoption of any resolution by the Board of Supervisors of the County authorizing the District to issue and sell the Series 2011B Bonds without the further action of the Board of Supervisors pursuant to Sections 15140 and 15146 of the Education Code, as permitted by Section 53508.7 of the Government Code. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

Section 22. Effective Date. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED this day, April 12, 2011.

President of the Board of Trustees of the Tracy
Joint Unified School District

ATTEST:

Clerk of the Board of Trustees of the
Tracy Joint Unified School District

EXHIBIT A

FORM OF CURRENT INTEREST BOND

Number **UNITED STATES OF AMERICA** Amount
R- **STATE OF CALIFORNIA** \$
COUNTIES OF SAN JOAQUIN AND ALAMEDA

**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT,
ELECTION OF 2008, SERIES 2011B**

CURRENT INTEREST BOND

Maturity Date Interest Rate Dated as of CUSIP No.
August 1, 20__ % ____, 2011 ____

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

Tracy Joint Unified School District, counties of San Joaquin and Alameda, State of California (the "District"), acknowledges itself obligated to and promises to pay, but only from taxes to be collected by the County of San Joaquin for such purpose within School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID") pursuant to Section 15250 of the California Education Code, to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date set forth above or upon prior redemption hereof, the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless this bond is authenticated as of a date during the period from the Record Date (as defined herein) next preceding any interest payment date to such interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on or before ____ 15, 20__, in which event it shall bear interest from the date hereof) at the Interest Rate per annum stated above, payable commencing on ____ 1, 20__, and thereafter on February 1 and August 1 in each year, until payment of the Principal Amount. This Bond is issued pursuant to a Resolution adopted by the Board of Trustees of the District on ____, 2011 (the "Resolution"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the principal corporate trust office of the paying agent/registrar and transfer agent of the District (the "Paying Agent"), initially The Bank of New York Mellon Trust Company, N.A. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the Registered Owner hereof as of the close of business on the 15th day of the month preceding an interest payment date (the "Record Date"), whether or not such day is a

business day, such interest to be paid by check or draft mailed to such Registered Owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Current Interest Bonds aggregating at least \$1,000,000 in principal amount, interest will be paid by wire transfer in immediately available funds to an account maintained in the United States as specified by the Registered Owner in such request. So long as Cede & Co. or its registered assigns shall be the Registered Owner of this Bond, payment shall be made in immediately available funds as provided in the Resolution hereinafter described.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest rates, interest payment modes, maturities and redemption provisions), in the aggregate principal amount of \$_____, and designated as "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B" (the "Bonds"). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the SFID on November 4, 2008. The Bonds are issued and sold by the Board of Trustees of the District pursuant to and in strict conformity with the provisions of the Constitution and laws of the State, and of the Resolution, and subject to the more particular terms specified in the Bond Purchase Agreement, dated _____, 2011 (the "Bond Purchase Agreement"), by and between the District and Stone & Youngberg LLC, as underwriter.

The current interest Bonds are issuable as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof, provided that no current interest Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same tenor, interest payment mode, and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the principal corporate trust office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations of the same tenor, interest payment mode, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to redemption on the terms and subject to the conditions specified in the Resolution and the Bond Purchase Agreement. If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board of Trustees of the District hereby certifies and declares that the total amount of indebtedness of the SFID and the District, including the amount of this Bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond; and that this Bond is in substantially the form prescribed by order of the Board of Trustees duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the SFID, and the tax for the payment of principal of and interest on this bond (or redemption price hereof upon redemption prior to maturity), shall be limited to annual taxes to be levied upon and collected from the taxable property within the SFID.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Trustees of the Tracy Joint Unified School District, counties of San Joaquin and Alameda, State of California, has caused this bond to be signed by its President and countersigned by the Clerk of said Board, as of the date set forth above.

President of the Board of Trustees of the Tracy
Joint Unified School District

Countersigned:

Clerk of the Board of Trustees of the
Tracy Joint Unified School District

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Resolution and authenticated and registered on _____.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., AS PAYING
AGENT**

By: _____

Authorized Officer

ASSIGNMENT

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

I.D. Number _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _

Note: Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

FORM OF CAPITAL APPRECIATION BOND

Number
CAB-__

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTIES OF SAN JOAQUIN AND ALAMEDA**

**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT,
ELECTION OF 2008, SERIES 2011B**

CAPITAL APPRECIATION BOND

Maturity Date	Interest Rate	Dated as of	CUSIP No.
August 1, 20__		_____, 2011	_____

Registered Owner: CEDE & CO.

Initial Principal Amount: _____ DOLLARS

Accreted Value at Maturity: _____ DOLLARS

Tracy Joint Unified School District, counties of San Joaquin and Alameda, State of California (the "District"), acknowledges itself obligated to and promises to pay, but only from taxes to be collected by the County of San Joaquin for such purpose within School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID") pursuant to Section 15250 of the California Education Code, to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above or upon prior redemption hereof, in lawful money of the United States of America, the accreted value hereof on such date, consisting of the Initial Principal Amount hereof plus interest accrued thereon to such date, commencing on the date hereof, compounded on February 1 and August 1 of each year commencing on _____ 1, 20__, at the Interest Rate specified above, assuming in any such semiannual period that such interest accretes in equal daily amounts on the basis of a 360-day year of twelve 30-day months, until the obligation represented hereby shall have been discharged, as provided in the Resolution adopted by the Board of Trustees of the District on _____, 2011 (the "Resolution"). The accreted value hereof shall be determined in accordance with the Resolution and as reflected in the Table of Accreted Values hereinafter set forth; provided, however, that any accreted value determined in accordance with the Resolution shall prevail over any accreted values given in the Table of Accreted Values. Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

The accreted value hereof is payable to the Registered Owner hereof upon the surrender hereof at the principal corporate trust office of the paying agent/registrar and transfer agent of the District (the "Paying Agent"), initially The Bank of New York Mellon Trust Company, N.A.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying tenors, numbers, denominations, interest rates, interest payment modes, maturities and redemption provisions), in the aggregate principal amount of \$_____, and designated as "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B" (the "Bonds"). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the SFID on November 4, 2008. The Bonds are issued and sold by the Board of Trustees of the District pursuant to and in strict conformity with the provisions of the Constitution and laws of the State, and the Resolution, and subject to the more particular terms specified in the Bond Purchase Agreement, dated _____, 2011 (the "Bond Purchase Agreement"), by and between the District and Stone & Youngberg LLC, as underwriter.

The capital appreciation Bonds are issuable as fully registered bonds without coupons in the denomination of \$5,000 accreted value at maturity (the "maturity value") or any integral multiple thereof, except that the first numbered Bond may be issued in a denomination such that the maturity value of such Bond shall not be in an integral multiple of \$5,000, and provided that no capital appreciation Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate maturity value of Bonds of the same tenor, interest payment mode, and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the principal corporate trust office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same tenor and interest payment mode and same aggregate maturity value will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to redemption on the terms and subject to the conditions specified in the Resolution and the Bond Purchase Agreement. If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board of Trustees of the District hereby certifies and declares that the total amount of indebtedness of the SFID and the District, including the amount of this Bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond; and that this Bond is in substantially the form prescribed by order of the Board of Trustees duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the SFID, and the tax for the payment of principal of and interest on this bond (or

redemption price hereof upon redemption prior to maturity), shall be limited to annual taxes to be levied upon and collected from the taxable property within the SFID.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Trustees of the Tracy Joint Unified School District, county of San Joaquin and Alameda, State of California, has caused this Bond to be signed by its President and countersigned by the Clerk of said Board, as of the date set forth above.

President of the Board of Trustees of the Tracy
Joint Unified School District

Countersigned:

Clerk of the Board of Trustees of the
Tracy Joint Unified School District

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Resolution and authenticated and registered on _____.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

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

I.D. Number _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _

Note: Signature must be guaranteed by an eligible guarantor institution.

CAPITAL APPRECIATION BOND

TABLE OF ACCRETED VALUES

EXHIBIT C

FORM OF CONVERTIBLE CAPITAL APPRECIATION BOND

Number
CCAB-__

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTIES OF SAN JOAQUIN AND ALAMEDA**

**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT,
ELECTION OF 2008, SERIES 2011B**

CONVERTIBLE CAPITAL APPRECIATION BOND

Maturity Date	Interest Rate	Conversion Date	Dated as of	CUSIP No.
August 1, 20__			_____, 2011	_____

Registered Owner: CEDE & CO.

Initial Principal Amount: _____ DOLLARS

Accreted Value at Conversion Date: _____ DOLLARS

Tracy Joint Unified School District, counties of San Joaquin and Alameda, State of California (the "District"), acknowledges itself obligated to and promises to pay, but only from taxes to be collected by the County of San Joaquin for such purpose within School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID") pursuant to Section 15250 of the California Education Code, to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above or upon prior redemption hereof, in lawful money of the United States of America, the accreted value hereof on such date, consisting of the Initial Principal Amount hereof plus interest accrued thereon to the Conversion Date specified above, commencing on the date hereof, compounded on February 1 and August 1 of each year commencing on _____ 1, 20__, at the Interest Rate per annum specified above, assuming in any such semiannual period that such interest accretes in equal daily amounts on the basis of a 360-day year of twelve 30-day months, and from and after said Conversion Date to pay interest on said accreted value as of said Conversion Date in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless this bond is authenticated as of a date during the period from the Record Date (as defined herein) next preceding any interest payment date to such interest payment date, inclusive, in which event from such interest payment date) at the Interest Rate per annum stated above, payable commencing on the February 1 or August 1 first following said Conversion Date, and thereafter on February 1 and August 1 in each year, until the obligation represented hereby shall have been discharged, as provided in the Resolution adopted by the Board of Trustees of the District on _____, 2011 (the "Resolution"), upon the surrender hereof at the principal corporate trust office of the paying agent/registrar and transfer agent of the District (the "Paying Agent"), initially The Bank of New York Mellon Trust Company, N.A. The accreted value

hereof shall be determined in accordance with the Resolution and as reflected in the Table of Accreted Values hereinafter set forth; provided, however, that any accreted value determined in accordance with the Resolution shall prevail over any accreted values given in the Table of Accreted Values. Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

The accreted value hereof is payable to the Registered Owner hereof upon the surrender hereof at the principal corporate trust office of the Paying Agent. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the Registered Owner hereof as of the close of business on the 15th day of the month preceding an interest payment date (the "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed to such Registered Owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Bonds aggregating at least \$1,000,000 in accreted value as of the Conversion Date, interest will be paid by wire transfer in immediately available funds to an account maintained in the United States as specified by the Registered Owner in such request. So long as Cede & Co. or its registered assigns shall be the Registered Owner of this Bond, payment shall be made in immediately available funds as provided in the Resolution.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying tenors, numbers, denominations, interest rates, interest payment modes, maturities and redemption provisions), in the aggregate principal amount of \$_____, and designated as "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B" (the "Bonds"). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the SFID on November 4, 2008. The Bonds are issued and sold by the Board of Trustees of the District pursuant to and in strict conformity with the provisions of the Constitution and laws of the State, and the Resolution, and subject to the more particular terms specified in the Bond Purchase Agreement, dated _____, 2011 (the "Bond Purchase Agreement"), by and between the District and Stone & Youngberg LLC, as underwriter.

The convertible capital appreciation Bonds are issuable as fully registered bonds without coupons in the denomination of \$5,000 accreted value at the Conversion Date or any integral multiple thereof, provided that no convertible capital appreciation Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate maturity value of Bonds of the same tenor, interest payment mode, and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the principal corporate trust office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same tenor and interest payment mode and same aggregate maturity value will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to redemption on the terms and subject to the conditions specified in the Resolution and the Bond Purchase Agreement. If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board of Trustees of the District hereby certifies and declares that the total amount of indebtedness of the SFID and the District, including the amount of this Bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond; and that this Bond is in substantially the form prescribed by order of the Board of Trustees duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the SFID, and the tax for the payment of principal of and interest on this bond (or redemption price hereof upon redemption prior to maturity), shall be limited to annual taxes to be levied upon and collected from the taxable property within the SFID.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Trustees of the Tracy Joint Unified School District, counties of San Joaquin and Alameda, State of California, has caused this Bond to be signed by its President and countersigned by the Clerk of said Board, as of the date set forth above.

President of the Board of Trustees of the Tracy
Joint Unified School District

Countersigned:

Clerk of the Board of Trustees of the
Tracy Joint Unified School District

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Resolution and authenticated and registered on _____.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

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

I.D. Number _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _

Note: Signature must be guaranteed by an eligible guarantor institution.

CONVERTIBLE CAPITAL APPRECIATION BOND

TABLE OF ACCRETED VALUES

EXHIBIT D

ESTIMATES OF COSTS OF ISSUANCE

A)	Underwriter's Discount	\$ 35,000.00
B)	Credit Enhancement	0.00*
C)	Financial Advisor	20,795
D)	Bond Counsel	25,000
E)	Disclosure Counsel	25,000
F)	Other Expenses	18,600

* A municipal bond insurance policy with respect to the Series 2011B Bonds will be obtained only if economically advantageous to the District as determined by an Authorized Officer of the District.

CLERK'S CERTIFICATE

I, _____, Clerk of the Board of Trustees of the Tracy Joint Unified School District, counties of San Joaquin and Alameda, California, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly held at the regular meeting place thereof on April 12, 2011, and entered in the minutes thereof, of which meeting all of the members of the Board of Trustees had due notice and at which a quorum thereof was present, and that at said meeting the resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of the meeting was posted at least 72 hours before the meeting at 1875 West Lowell Avenue, Tracy, California, a location freely accessible to members of the public, and a brief description of the resolution appeared on the agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: _____ 2011

Clerk of the Board of Trustees of Tracy Joint
Unified School District

\$ _____
**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT,
ELECTION OF 2008, SERIES 2011B**

BOND PURCHASE AGREEMENT

_____, 2011

Tracy Joint Unified School District
1875 West Lowell Avenue
Tracy, California 953763

The undersigned, Stone & Youngberg LLC (the "Underwriter"), hereby offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the Tracy Joint Unified School District (the "District") which, upon the acceptance hereof, will be binding upon the District and the Underwriter. By execution of this Purchase Agreement, the District acknowledges the terms hereof and recognizes that it will be bound by certain of the provisions hereof, and to the extent binding on the District, acknowledges and agrees to such terms. This offer is made subject to the written acceptance of this Purchase Agreement by the District and delivery of such acceptance to us at or prior to 11:59 PM, California time, on the date hereof.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the District for reoffering to the public and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$ _____ aggregate [initial] principal amount of the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B (the "Bonds"), consisting of \$ _____ aggregate principal amount of current interest bonds (the "Current Interest Bonds"), \$ _____ aggregate initial principal amount of capital appreciation bonds (the "Capital Appreciation Bonds") and \$ _____ aggregate initial principal amount of convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds").

The Bonds shall bear or accrete interest at the rates and shall mature on the dates and in the years shown on Exhibit A hereto, which is incorporated herein by this reference. The Bonds issued as Current Interest Bonds shall bear interest payable from the date thereof and such interest shall be payable on each February 1 and August 1, commencing _____ 1, 20___. The Bonds issued as Capital Appreciation Bonds shall accrete interest from their date, compounded semiannually on February 1 and August 1, commencing on _____ 1, 20___, and shall be paid at maturity as shown in Exhibit A hereto. The Bonds issued as Convertible Capital Appreciation Bonds shall accrete interest from their date, compounded semiannually on February 1 and August 1, commencing on _____ 1, 20___, to the applicable conversion date thereof (the "Conversion Date"). From and

after the Conversion Date thereof, each such Convertible Capital Appreciation Bond shall bear interest from such Conversion Date and such interest shall be payable on each February 1 and August 1, commencing on the February 1 or August 1 immediately following such Conversion Date. The stated value of each Convertible Capital Appreciation Bond at the Conversion Date thereof shall be paid at maturity as shown in Exhibit A hereto.

The Underwriter shall purchase the Bonds at a price of \$ _____, in immediately available funds by check, draft or wire transfer to or upon the order of the County of San Joaquin (the "County") on behalf of the District.

The District acknowledges and agrees that the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter, and the Underwriter is acting solely as an underwriter and principal in connection with the matters contemplated by and with respect to all communications under this Purchase Agreement and is not acting as the agent or fiduciary of the District or the District's advisor in connection with the matters contemplated by this Purchase Agreement.

2. **The Bonds.** The Current Interest Bonds shall be dated their date of delivery and shall mature on August 1 in the years shown on Exhibit A hereto and be subject to redemption all as shown on Exhibit A hereto. The Capital Appreciation Bonds shall be dated their date of delivery and shall mature on August 1 in the years shown on Exhibit A hereto and be subject to redemption all as shown on Exhibit A hereto. The Convertible Capital Appreciation Bonds shall be dated their date of delivery, shall accrete interest to their Conversion Dates at the rates, shall bear interest from and after their Conversion Dates at the rates, shall convert to current interest bonds on the Conversion Dates and shall mature on August 1 in the years and be subject to redemption all as shown on Exhibit A hereto. The Bonds shall be issued and secured pursuant to the provisions of the Resolution of the Board of Trustees of the District (the "Board of Trustees") adopted on _____, 2011 (the "Resolution"), this Purchase Agreement and Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"). The Bonds were authorized under and pursuant to a bond authorization approved by more than 55% of the voters of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID") voting at an election held on November 4, 2008 (the "Election") approving an amount not more than \$43,100,000 of general obligation bonds of the SFID to be used to finance specific construction, repair and improvement projects. The Bonds are being issued to finance such construction, repair and improvement projects. Capitalized terms used herein and not defined herein shall have the meanings set forth in the Resolution.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Resolution. The Bonds shall be in definitive form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC").

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Agreement, the Preliminary Official Statement and the Official Statement (defined below), the Resolution, and the Continuing Disclosure Certificate of the District, to be dated the Closing Date (the "Continuing Disclosure Certificate"),

and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

4. Public Offering of the Bonds. The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields as set forth in Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds; *provided*, however, that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

5. Official Statement. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2011 (as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By the execution of this Purchase Agreement, the District ratifies the use by the Underwriter of the Preliminary Official Statement.

The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Bond Purchase Agreement is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto, and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, being herein called the "Official Statement") in such quantities as may be requested by the Underwriter in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board ("MSRB"); provided, however, that the failure of the District to comply with this requirement due solely to the acts of the Underwriter, its counsel or agents, shall not be considered cause for the Underwriter to refuse to accept delivery of and pay for the Bonds. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system.

Each party hereto agrees that it will notify the other party hereto if, within the period from the date of this Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period (as hereinafter defined), such party discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case which might cause the Official Statement (as the same may have been theretofore supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the written opinion of the District or the Underwriter, the preparation and publication of a supplement or amendment to the Official Statement is, as a result of such fact or event (or any other event which becomes known to the District or the Underwriter during such period), necessary so that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall, at its expense, supplement or amend the Official Statement in such a manner so that the Official Statement, as so supplemented or amended, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and furnish copies of such supplement or amendment to the Underwriter in such numbers as the Underwriter may reasonably request. The District and the Underwriter agree that they will cooperate in the preparation of any such amendment or supplement. As used herein, the term "End of the Underwriting Period" means the later of such time as (a) the District delivers the Bonds to the Underwriter, or (b) the Underwriter do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "End of the Underwriting Period" shall be deemed to be the Closing Date (as defined herein). Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the End of the Underwriting Period.

6. **Closing.** At 8:00 a.m., California time, on _____, 2011, or at such other time or on such other date as shall have been mutually agreed upon by the parties hereto (the "Closing" or "Closing Date"), the District will direct The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") to deliver to the Underwriter, through the facilities of DTC in New York, New York, or at such other place as the District and the Underwriter may mutually agree upon, the Bonds in fully registered book-entry form, duly executed, and shall cause the other documents hereinafter mentioned to be delivered at the offices of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") in Los Angeles, California. Upon fulfillment of all conditions to Closing herein, the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds (by wire transfer or such other manner of payment as the Underwriter and the District shall reasonably agree upon) to the account of the District.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

- (a) The District is a school district duly organized and validly existing under the laws of the State of California (the "State"), with full legal right, power and authority to form the SFID and to issue the Bonds under the laws of the State and pursuant to the Act;

(b) The SFID is a school facilities improvement district duly formed and validly existing under the laws of the State, including the Education Code;

(c) (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the Resolution was duly adopted at a meeting of the Board of Trustees, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, and the Resolution has not been amended, modified or rescinded, (iii) the District has full legal right, power and authority to enter into this Purchase Agreement and the Continuing Disclosure Certificate, to adopt the Resolution, to issue and to deliver the Bonds to the Underwriter, to perform its obligations under each such document or instrument and to carry out and effectuate the transactions contemplated by this Purchase Agreement and the Resolution; (iv) the execution and delivery or adoption of and the performance by the District of the obligations represented by, the Bonds, the Resolution, the Continuing Disclosure Certificate and this Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (v) this Purchase Agreement constitutes a valid and legally binding obligation of the District, enforceable against the District in accordance with its terms; and (vi) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Agreement;

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

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

(f) As of the time of acceptance hereof and as of the time of the Closing, the District is not and will not be, in any manner which would adversely affect the transactions contemplated hereby and by the Resolution, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would adversely affect the transactions contemplated hereby and by the Resolution, a default or event of default under any such instrument; and, as of such times, to the best knowledge of the District, the issuance of the Bonds, the execution, delivery and performance of this Purchase Agreement, the Resolution, the Continuing Disclosure Certificate and the Bonds and the compliance with the provisions hereof and thereof and of the Resolution do not conflict with or constitute on the part of the District a violation of, or material default under, any applicable constitutional provision, law or administrative rule or regulation of the State or the

United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject;

(g) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending (in which service of process has been completed against the District) or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District of the SFID or in any way challenging the respective powers of the several offices of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy of any taxes contemplated by the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Agreement, the Continuing Disclosure Certificate or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, the Continuing Disclosure Certificate, the Resolution or this Purchase Agreement; (iii) contesting the completeness or accuracy of the Preliminary Official Statement; or (iv) in which a final adverse decision could (A) result in any material adverse impact on the financial condition of the District, (B) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement, the Continuing Disclosure Certificate or the Resolution, (C) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part, or (D) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from California personal income taxation;

(h) Preparation and distribution of the Preliminary Official Statement and the Official Statement have been duly authorized by the District, and the information contained therein (excluding the statements and information relating to the book entry system and any information provided by the Underwriter, and so identified as source thereof, for inclusion in the Official Statement) is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information relating to the book entry system or any information provided by the Underwriter, and so identified as source thereof, for inclusion in the final Official Statement;

(i) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain, and up to and including the Closing will contain, no material misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in light of the circumstances in which such statements were made, not

misleading. At the time of the Closing, there shall not have been any material adverse changes in the financial condition of the District since the date of the Official Statement;

(j) The District agrees that if at any time before the Closing Date any event occurs as a result of which the Official Statement as then in effect would include any untrue statement of a material fact or omit to state any fact necessary to make the statements made therein not misleading in any material respect, the District shall promptly prepare an amendment or supplement that will correct such statement or omission. The District will advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and will effect such amendment or supplement in a form and manner approved by the Underwriter;

(k) The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;

(l) To assist the Underwriter in complying with the Rule, the District will undertake, pursuant to the Resolution and the Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement;

(m) Except as disclosed in the Official Statement, in the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events;

(n) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District will not have issued any bonds, notes or other obligations for borrowed money except for such borrowing as may be described in or contemplated by the Official Statement; and

(o) Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

8. Conditions to Closing. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Agreement are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and

other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the Closing Date; and the District shall be in compliance with each of the agreements made by it in this Purchase Agreement;

(b) At the time of the Closing, (i) the Official Statement, this Purchase Agreement, the Continuing Disclosure Certificate and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the parties hereto; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(c) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, is pending (in which service of process has been completed against the District) or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Bonds, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Bonds, the Continuing Disclosure Certificate or this Purchase Agreement, or (C) in any way contesting the existence or powers of the District, or contesting in any way the completeness or accuracy of the Official Statement;

(d) Between the date hereof and the Closing, the market price for the Bonds, or the market for or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds at the initial offering prices set forth in the Official Statement, shall not have been materially adversely affected by reason of any of the following:

(1) legislation enacted by the Congress of the United States, or by the legislature of the State, or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service or other federal or State authority, which would have the purpose or effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt

from registration under the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) the declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or State authorities having jurisdiction, or the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue or a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the Federal securities laws, as amended and then in effect;

(6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency or the occurrence of any adverse change of a material nature of the financial condition, results of operation or properties of the District; or

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information set forth in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), substantially in the form attached as Appendix __ to the Official Statement, dated the Closing Date and addressed to the District;

(2) A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in (e)(1) above;

(3) A certificate, signed by an appropriate official of the District, to the effect that (i) such official is authorized to execute this Purchase Agreement and the Continuing Disclosure Certificate, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the Closing Date, (iii) the District has complied with all the terms of the Resolution and this Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) to the best of such official's knowledge, no litigation is pending or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Bonds, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Bonds, the Continuing Disclosure Certificate or this Purchase Agreement, or (C) in any way contesting the existence or powers of the District of the SFID, (v) such official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (vi) each of the conditions listed in Section 8 of this Purchase Agreement has been satisfied on the date hereof and the District is not aware of any other condition of this Purchase Agreement that has not been satisfied on the date hereof, and (vii) the Bonds being delivered on the Closing Date to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution and this Purchase Agreement;

(4) The opinion of Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to the District, addressed to the District and the Underwriter, dated the Closing Date, to the effect that, based on such counsel's participation in conferences with representatives of the Underwriter, the District, the Paying Agent, their respective counsel, KNN Public Finance, A Division of Zions First National Bank, and others, during which conferences the contents of the Official Statement and related matters were discussed (but with no inquiry made of other attorneys in such counsel's firm not working directly on the issuance of the Bonds who may have information material to the issue), and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, as a matter of fact and not opinion, that, during the course of its engagement as disclosure counsel no facts came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, statistical, economic or demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of

opinion, or any information about litigation, Appendices [, , , and] or any information about book-entry or DTC, included or referred to therein, as to which such counsel need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) The Continuing Disclosure Certificate signed by an appropriate official of the District and in form and substance reasonably satisfactory to the Underwriter;

(6) A certificate signed by an appropriate official of the County to the effect that such official has reviewed the information contained in the Official Statement in [Appendix __ – THE SAN JOAQUIN COUNTY TREASURY POOL] and on such basis certifies that the information contained in the Official Statement in such appendix (solely describing the County's investment policy, current portfolio holdings, and valuation procedures, as they may relate to funds of the District held by the County Treasurer) does not contain any untrue statement of a material fact concerning the County or omit to state any material fact required to be stated therein or necessary to make the statements concerning the County therein, in light of the circumstances in which they were made, not misleading;

(7) A non-arbitrage certificate of the District with respect to the Bonds in form satisfactory to Bond Counsel;

(8) Evidence satisfactory to the Underwriter that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(9) A certificate, together with fully executed copies of the Resolution, of the District Clerk to the effect that:

(i) such copies are true and correct copies of the Resolution; and

(ii) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date;

(10) Certificates of the appropriate officials of the District evidencing their determinations respecting the Preliminary Official Statement in accordance with the Rule;

(11) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence (i) compliance by the District and the Paying Agent with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

9. **Conditions to Obligations of the District.** The performance by the District of their obligations is conditioned upon (i) the performance by the Underwriter of their obligations hereunder; and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the District.

10. **Expenses.** The Underwriter, at the direction of the District, shall pay costs of issuance of the Bonds up to the amount of \$_____, including but not limited to the following: (i) the fees and disbursements of Bond Counsel, Disclosure Counsel and counsel to the Underwriter; (ii) the cost of the preparation, printing and delivery of the Bonds; (iii) the fees, if any, for Bond ratings, including all necessary expenses for travel relating to such ratings; (iv) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (v) the initial fees of the Paying Agent and related fees and expenses; and (vi) all other fees and expenses incident to the issuance and sale of the Bonds, including CUSIP Bureau registration fees. Any such expenses which exceed in the aggregate \$_____ shall be paid by the District and may be paid from the proceeds of the Bonds. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, expenses for travel (except in connection with securing a rating on the Bonds) and other expenses (except as provided above) shall be paid by the Underwriter.

11. **Notices.** Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to the Tracy Joint Unified School District at 1875 West Lowell Avenue, Tracy, California 953763, Attention: Associate Superintendent of Business Services, or if to the Underwriter, to Stone & Youngberg LLC, One Ferry Building, Suite 275, San Francisco, California 94111, Attention: Bruce Kerns.

12. **Severability.** In the event any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

13. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the District in this Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the

Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Agreement.

14. **Execution in Counterparts.** This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

15. **Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

STONE & YOUNGBERG LLC

By:_____

The foregoing is hereby agreed to
and accepted as of the date first
above written:

TRACY JOINT UNIFIED SCHOOL
DISTRICT

By:_____

EXHIBIT A

MATURITY SCHEDULE

\$ _____ SERIES 2011 BONDS

\$ _____ Current Interest Bonds

\$ _____ Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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\$ _____ % Term Bonds due August 1, 20__ – Price _____ %

\$ _____ Capital Appreciation Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Maturity</u> <u>Value</u>	<u>Issue</u> <u>Amount</u>	<u>Reoffering</u> <u>Yield</u>
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\$_____ Convertible Capital Appreciation Bonds

Maturity (<u>August 1</u>)	Initial Principal (Denominational) <u>Amount</u>	Accretion Rate to (but excluding) Conversion <u>Date</u>	Conversion <u>Date</u>	Interest Rate from and after Conversion <u>Date</u>	Stated Value at Conversion <u>Date</u>	Reoffering <u>Yield</u>
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TERMS OF REDEMPTION

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Tracy Joint Unified School District (the "District") in connection with the issuance of \$ _____ aggregate [initial] principal amount of Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on _____, 2011 (the "District Resolution"). The District covenants and agrees as follows:

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

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

"Official Statement" shall mean the Official Statement, dated _____, 2011 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“SFID” shall mean School Facilities Improvement District No. 3 of the Tracy Joint Unified School District.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2010-2011 Fiscal Year (which is due not later than April 1, 2012), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's and the SFID's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the SFID, if and to the extent provided to the District by the County of Contra Costa (the "County").

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the SFID, if and to the extent provided to the District by the County.

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the SFID, if and to the extent provided to the District by the County.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. 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 events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

- (iv) substitution of the credit or liquidity providers or their failure to perform;
- (v) issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes; or
- (ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

- (i) unless described in paragraph 5(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) modifications to rights of Bond Holders;
- (iii) optional, unscheduled or contingent Bond calls;
- (iv) release, substitution, or sale of property securing repayment of the Bonds;
- (v) non-payment related defaults;
- (vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a

definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

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

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the District Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

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

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements

of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the District Resolution for amendments to the District Resolution 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 Bonds.

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County of Sonoma. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the

exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: _____, 2011

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: TRACY JOINT UNIFIED SCHOOL DISTRICT

Name of Issue: Bonds of the School Facilities Improvement District No. 3 of the
Tracy Joint Unified School District, Election of 2008, Series 2011B

Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated _____, 2011. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

NEW ISSUE — BOOK-ENTRY ONLY

Ratings: Moody's: "____"
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2011B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011B Bonds. See "TAX MATTERS" herein.

§ _____
**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
 OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
 ELECTION OF 2008, SERIES 2011B**

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

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011B (the "Series 2011B Bonds") are issued by the Tracy Joint Unified School District (the "District") to finance specific construction, repair and improvement projects approved by the voters of School Facilities Improvement District No. 3 of the Tracy Unified School District ("SFID No. 3"). The Series 2011B Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District.

The Series 2011B Bonds are payable from *ad valorem* taxes to be levied within SFID No. 3 pursuant to the California Constitution and other State law. Although the District is located within the counties of San Joaquin and Alameda, California, SFID No. 3 is located entirely within the County of San Joaquin (the "County"). The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property within SFID No. 3 subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal, accreted value or maturity value of and interest on the Series 2011B Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011B BONDS" herein.

The Series 2011B Bonds will be issued as current interest bonds (the "Current Interest Bonds"), capital appreciation bonds (the "Capital Appreciation Bonds") and/or capital appreciation bonds that convert to current interest bonds (the "Convertible Capital Appreciation Bonds"), all as set forth on the inside front cover hereof. Interest on the Current Interest Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2012. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2011.

The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their stated accreted value at the Conversion Date thereof payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Prior to the Conversion Date of a Convertible Capital Appreciation Bond, interest on such Convertible Capital Appreciation Bond will be compounded on each February 1 and August 1, commencing August 1, 2011. From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rates set forth on the inside front cover page of this Official Statement, payable on each February 1 and August 1 to maturity, commencing on the February 1 or August 1 immediately following such Conversion Date.

The Series 2011B Bonds will be issued in denominations of \$5,000 principal amount, maturity value or accreted value at the Conversion Date thereof, as applicable, or any integral multiple thereof as shown on the inside front cover hereof.

The Series 2011B Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011B Bonds. Individual purchases of the Series 2011B Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2011B Bonds purchased by them. See "THE SERIES 2011B BONDS — Form and Registration" herein. Payments of the principal, accreted value or maturity value of and interest on the Series 2011B Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Series 2011B Bonds. See "THE SERIES 2011B BONDS — Payment of Principal and Interest" herein.

The Series 2011B Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2011B BONDS — Redemption" herein.

The Series 2011B Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the District by

Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. It is anticipated that the Series 2011B Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about May __, 2011.

Stone & Youngberg

Dated: _____, 2011

MATURITY SCHEDULE*

BASE CUSIP¹: 892392

\$ _____
SERIES 2011B BONDS

\$ _____ Current Interest Bonds

\$ _____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number ¹	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number ¹
------------------------	---------------------	------------------	-------	------------------------------	------------------------	---------------------	------------------	-------	------------------------------

\$ _____ % Term Bonds due August 1, 20__ – Yield _____ % CUSIP Number¹ – _____

\$ _____ Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number ¹
------------------------	-----------------------------	-------------------	---------------------	-------------------	------------------------------

\$ _____ % Term Bonds due August 1, 20__ – Yield _____ % CUSIP Number¹ – _____

\$ _____ Convertible Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Stated Accreted Value at Conversion Date	Conversion Date (August 1)	Coupon Upon Conversion	Reoffering Yield	CUSIP Number ¹
------------------------	--------------------------------	-------------------	--	----------------------------------	------------------------------	---------------------	------------------------------

* Preliminary; subject to change.

¹ Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2011B Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2011B Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2011B Bonds 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.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2011B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2011B BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

**TRACY JOINT UNIFIED SCHOOL DISTRICT
(COUNTIES OF SAN JOAQUIN AND ALAMEDA, CALIFORNIA)**

BOARD OF TRUSTEES

Walter Gouveia, *President*
Gregg Crandall, *Vice President*
Jill Costa, *Clerk*
Ted Guzman, *Member*
Greg Silva, *Member*
Bill Swenson, *Member*
James Vaughn, *Member*

DISTRICT ADMINISTRATORS

Dr. James C. Franco, *Superintendent*
Dr. Casey Goodall, *Associate Superintendent of Business Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Financial Advisor

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

Paying Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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\$ _____ *

**BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
ELECTION OF 2008, SERIES 2011B**

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$ _____* aggregate initial principal amount of the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District Election of 2008, Series 2011B (the "Series 2011B Bonds"), consisting of current interest bonds ("Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds") and/or capital appreciation bonds that convert to current interest bonds ("Convertible Capital Appreciation Bonds"), all as indicated on the inside front cover hereof, to be offered by the Tracy Joint Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2011B Bonds. Quotations from and summaries and explanations of the Series 2011B Bonds, the resolution of the Board of Trustees of the District providing for the issuance of the Series 2011B Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2011B Bonds.

Copies of documents referred to herein and information concerning the Series 2011B Bonds are available from the District by contacting: Tracy Joint Unified School District, 1875 West Lowell Avenue, Tracy, California 95376, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District includes approximately 425 square miles and includes parts of the County of San Joaquin and the County of Alameda, and provides K-12 educational services to the residents of the City of Tracy and certain surrounding unincorporated areas. The District operates seven kindergarten through fifth grade elementary schools, four kindergarten through eighth grade elementary schools, two middle

* Preliminary; subject to change.

schools, three comprehensive high schools, two alternative education schools, one adult school and one community day school. Total fiscal year 2010-11 enrollment is approximately 16,500.

The District is governed by a seven-member Board of Trustees (the "Board of Trustees"), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Trustees who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Dr. James C. Franco is the District Superintendent and has served in this position since July 1, 2002.

The District budgeted 2010-11 general fund expenditures of approximately \$_____ million dollars. As of June 30, 2010, the District employed _____ employees, consisting of _____ non-management certificated employees, _____ certificated management employees, _____ classified non-management employees and _____ classified management employees. For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

School Facilities Improvement District No. 3 of the Tracy Joint Unified School District ("SFID No. 3") is an area located in the District, encompassing approximately 59% of the District (by fiscal year 2010-11 assessed value). Although the District is located within the counties of San Joaquin and Alameda, California, SFID No. 3 is located entirely within the County of San Joaquin (the "County" or "San Joaquin County").

THE SERIES 2011B BONDS

Authority for Issuance; Purpose

The Series 2011B Bonds are issued under the provisions of Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including the applicable provisions of the California Education Code and Article XIII A of the California Constitution. The Series 2011B Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on April 12, 2011.

At an election held on November 4, 2008, the District received authorization to issue bonds of SFID No. 3 in an aggregate principal amount not to exceed \$43,100,000 "to renovate and modernize the community's oldest elementary and middle schools, upgrade classrooms, replace aging roofs, old heating, electrical, plumbing, cooling and ventilation systems with energy efficient systems, and improve security and technology systems at all schools increasing student access to computers" (the "Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within SFID No. 3 and received an approval vote of approximately 70.5%. On May 5, 2009, San Joaquin County, on behalf of the District, issued the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District Election of 2008, Series 2009 (the "Series 2009 Bonds"), in an aggregate principal amount of \$12,000,000. Simultaneously with the issuance of the Series 2011B Bonds, the District expects to issue the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A (the "Series 2011A Bonds"), in an aggregate principal amount of \$_____. The Series 2011A Bonds are not being offered hereunder. The Series 2011A Bonds and Series 2011B Bonds represent the second and third series of the authorized bonds to be issued under the Authorization and will be issued to finance authorized projects. Upon issuance of the

* Preliminary; subject to change.

Series 2011A Bonds and Series 2011B Bonds, \$ _____ principal amount of the Authorization will remain.

Form and Registration

The Series 2011B Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount, maturity value or accreted value at their Conversion Date, as applicable, or integral multiples thereof. The Series 2011B Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as security depository of the Series 2011B Bonds. Purchases of Series 2011B Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2011B Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2011B Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2011B Bonds will be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof.

Interest; Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Date"), commencing on February 1, 2012, computed using a year of 360 days, comprising twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Interest; Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of 12 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof ("Maturity Value"), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing August 1, 2011.

Interest; Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its stated accreted value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), as stated on the inside front cover page of this Official Statement,

on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on August 1, 2011.

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the February 1 or August 1 immediately following such Conversion Date, computed using a year of 360 days, comprising twelve 30-day months. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Value or Convertible Capital Appreciation Bond's stated accreted value at the Conversion Date thereof is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion Date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Tables of Accreted Values shown in Appendices G and H hereto, in order to provide the value per \$5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity and the value per \$5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof.

Payment of Series 2011B Bonds. The principal and accreted value of the Series 2011B Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the paying agent at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds and the Convertible Capital Appreciation Bonds after the Conversion Date is payable in lawful money of the United States of America by check mailed on each Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the paying agent or at such address as the Owner may have filed with the paying agent for that purpose, except that the payment shall be made by wire transfer of immediately

available funds to any Owner of at least \$1,000,000 of outstanding Current Interest Bonds or Capital Appreciation Bonds after the Conversion Date who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2011B Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX*F – “BOOK-ENTRY ONLY SYSTEM.”

Redemption*

Optional Redemption of Series 2011B Bonds. The Current Interest Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds maturing or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Capital Appreciation Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

The Convertible Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Convertible Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bonds called for redemption, together with interest accrued thereon from the last Interest Date for which interest has been paid to the date of redemption, without premium.

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption of Series 2011B Bonds. The \$_____ term Series 2011B Bonds issued as Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
_____	_____

\$

†

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of the term Current Interest Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$_____ Series 2011B Bonds issued as Capital Appreciation Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Accreted Value Amounts to be Redeemed
_____	_____

\$

†

† Maturity.

The accreted value amounts to be redeemed to be redeemed in each year shown above will be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000 of Maturity Value, by any portion of such term Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$_____ Series 2011B Bonds issued as Convertible Capital Appreciation Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Stated Accreted Value Amounts to be Redeemed
---	--

\$

†

† Maturity.

The stated accreted value amounts at the Conversion Date thereof to be redeemed in each year shown above will be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Convertible Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date

Selection of Series 2011B Bonds for Redemption. If less than all of the Series 2011B Bonds are called for redemption, Series 2011B Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2011B Bonds of any one maturity are designated for redemption, the paying agent shall select the outstanding Series 2011B Bonds of such maturity to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Series 2011B Bond shall be deemed to consist of individual Series 2011B Bonds of denominations of \$5,000 principal amount, Maturity Value or accreted value at the Conversion Date thereof, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2011B Bond will be given by the paying agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the San Joaquin County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. See APPENDIX D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2011B Bonds and the date of issue of the Series 2011B Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2011B Bonds to be redeemed; (vi) if less than all of the Series 2011B Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2011B Bonds of each maturity to be redeemed; (vii) in the case of Series 2011B Bonds redeemed in part only, the respective portions of the principal amount of the Series 2011B Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2011B Bonds to be redeemed; (ix) a statement that such Series 2011B Bonds must be surrendered by the Owners at the principal corporate trust office of the paying agent, or at such other place or places designated by the paying agent; (x) notice that further interest on such Series 2011B Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2011B Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2011B Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2011B Bonds called for redemption is set aside, the Series 2011B Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon

presentation and surrender of such Series 2011B Bonds at the place specified in the notice of redemption, such Series 2011B Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2011B Bonds so called for redemption after such redemption date shall look for the payment of such Series 2011B Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of SFID No. 3 within the San Joaquin County treasury (the "SFID No. 3 Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2011B Bonds redeemed shall be cancelled forthwith by the paying agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2011B Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the SFID No. 3 Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2011B Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2011B Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2011B Bonds

The District may pay and discharge any or all of the Series 2011B Bonds by depositing in trust with the paying agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the SFID No. 3 Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series 2011B Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the paying agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2011B Bonds and remaining unclaimed for two years after the principal of all of such Series 2011B Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the SFID No. 3 Interest and Sinking Fund for payment of any outstanding bonds of SFID No. 3 payable from said fund; or, if no such bonds of SFID No. 3 are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2011B Bond Proceeds

General. The proceeds from the sale of the Series 2011B Bonds, to the extent of the principal amount thereof, will be deposited in the San Joaquin County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and San Joaquin County funds. Such proceeds shall be applied solely for the purposes for which the Series 2011B Bonds were authorized. Any premium or accrued interest received by the District will be deposited in the SFID No. 3 Interest and Sinking Fund in the San Joaquin County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the Treasurer-Tax Collector of San Joaquin County (the "San Joaquin County Treasurer") in the Building Fund and the SFID No. 3 Interest and Sinking Fund are expected to be invested on behalf of the District by the San Joaquin County Treasurer in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of San Joaquin County. See APPENDIX E – "SUMMARY OF SAN JOAQUIN COUNTY INVESTMENT POLICY." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of the Series 2011B Bonds are expected to be applied as follows:

BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT Election of 2008, Series 2011B

Estimated Sources and Uses of Funds

<u>Sources of Funds:</u>	<u>Series 2011B Bonds</u>
Par Amount of Series 2011B Bonds	\$
Plus Net Original Issue Premium	_____
Total Sources of Funds	=====
<u>Uses of Funds:</u>	
Deposit to Building Fund	\$
Costs of Issuance ⁽¹⁾	_____
Underwriter's Discount ⁽²⁾	_____
Deposit to SFID No. 3 Interest and Sinking Fund ⁽³⁾	_____
Total Uses of Funds	=====

⁽¹⁾ Includes bond counsel fees, disclosure counsel fees, District counsel fees, financial advisor and rating agency fees, printing fees and other miscellaneous expenses the Underwriter has contracted to pay.

⁽¹⁾ Exclusive of costs of issuance the Underwriter has contracted to pay.

⁽²⁾ Consists of premium received by the District.

Debt Service

Debt service on the Series 2011B Bonds, assuming no early redemptions, is as shown in the following table.

**BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Election of 2008, Series 2011B**

Period Ending August 1,	Current Interest Bonds		Capital Appreciation Bonds		Convertible Capital Appreciation Bonds		Total Debt Service
	Principal	Interest	Principal	Interest Paid at Maturity	Principal	Interest including Interest Paid at Maturity	
2011	\$	\$	\$	\$	\$	\$	\$
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Outstanding Bonds

In addition to the Series 2011A Bonds and the Series 2011B Bonds, the District has one additional outstanding series of bonds which is secured by *ad valorem* taxes upon all property subject to taxation within SFID No. 3. On May 5, 2009, San Joaquin County, on behalf of the District, issued the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District Election of 2008, Series 2009 (the "Series 2009 Bonds"), in an aggregate principal amount of \$12,000,000. The Series 2009 Bonds were issued as the first series of bonds to be issued under the Authorization.

Aggregate Debt Service

Debt service on each series of District bonds which is secured by *ad valorem* taxes upon all property subject to taxation within SFID No. 3, assuming no early redemptions, is as shown in the following table.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT Aggregate Debt Service

Period Ending August 1,	Series 2009 Bonds	Series 2011A Bonds	Series 2011B Bonds	Aggregate Total Debt Service
2011	\$	\$	\$	\$
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
Total:	\$	\$	\$	\$

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011B BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2011B Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District within SFID No. 3, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within SFID No. 3. When collected, the tax revenues will be deposited by San Joaquin County in the SFID No. 3 Interest and Sinking Fund, which is required to be maintained by San Joaquin County and to be used solely for the payment of bonds of SFID No. 3.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in SFID No. 3. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within SFID No. 3

Taxable property located in SFID No. 3 has a 2010-11 assessed value of \$6,683,083,514. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below under the heading, State-Assessed Property.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in SFID No. 3 to non-utility companies will increase the assessed value of property in SFID No. 3, since the property's value will no longer be divided among all taxing jurisdictions in the county. The transfer of property located and taxed in SFID No. 3 to a State-assessed utility will have the opposite effect: generally reducing the assessed value in SFID No. 3, as the value is shared among the other jurisdictions in the county. The District is unable to predict future transfers of State-assessed property in the District and the county, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

Shown in the following table is the assessed valuation of the various classes of property in SFID No. 3 since its formation.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2008-09 through 2010-11**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$	\$	\$296,812,793	\$8,104,532,411
2009-10	6,543,051,267	11,807,621	302,361,758	6,857,220,646
2010-11	6,374,552,303	11,807,621	296,723,590	6,683,083,514

Source: California Municipal Statistics, Inc.

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

When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

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

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

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the Assessor of San Joaquin County, the County has in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within SFID No. 3 in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. The District may issue bonds of the District (allocated to SFID No. 3) and bonds of SFID No. 3 in an amount up to 2.5% of the assessed valuation of taxable property within the boundaries of SFID No. 3. SFID No. 3's fiscal year 2010-11 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$167 million and its net bonding

capacity is approximately \$_____ million (taking into account current outstanding debt before issuance of the Series 2011A Bonds and the Series 2011B Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in SFID No. 3 on the 2010-11 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use**

	2010-11 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	\$250,741,338	3.93%	895	3.98%
Commercial	806,734,717	12.66	547	2.43
Vacant Commercial	60,437,850	0.95	140	0.62
Industrial	476,536,350	7.48	189	0.84
Vacant Industrial	44,695,149	0.70	42	0.19
Recreational	21,914,940	0.34	39	0.17
Government/Social/Industrial	8,358,268	0.13	54	0.24
Miscellaneous	17,844,031	0.28	543	2.42
Subtotal Non-Residential	\$1,687,262,643	26.47%	2,449	10.90%
Residential:				
Single Family Residence	\$4,176,176,094	65.51%	18,216	81.09%
Condominium/Townhouse	43,399,411	0.68	454	2.02
Rural Residential	79,336,224	1.24	259	1.15
Hotel/Motel	41,915,261	0.66	14	0.06
Mobile Home Park	18,256,694	0.29	12	0.05
2-4 Residential Units	134,703,921	2.11	501	2.23
5+ Residential Units/Apartments	120,916,943	1.90	115	0.51
Vacant Residential	72,585,112	1.14	445	1.98
Subtotal Residential	\$4,687,289,660	73.53%	20,016	89.10%
TOTAL	\$6,374,552,303	100.00%	22,465	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in SFID No. 3 for fiscal year 2010–11.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes**

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	18,216	\$4,176,176,094	\$229,259	\$225,000

2010-11 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	30	0.165%	0.165%	\$ 580,348	0.014%	0.014%
\$25,000 - \$49,999	300	1.647	1.812	12,483,440	0.299	0.313
\$50,000 - \$74,999	622	3.415	5.226	39,087,827	0.936	1.249
\$75,000 - \$99,999	493	2.706	7.933	43,151,891	1.033	2.282
\$100,000 - \$124,999	687	3.771	11.704	77,460,025	1.855	4.137
\$125,000 - \$149,999	1,085	5.956	17.660	150,130,311	3.595	7.732
\$150,000 - \$174,999	1,412	7.751	25.412	230,153,321	5.511	13.243
\$175,000 - \$199,999	1,949	10.699	36.111	363,520,247	8.705	21.948
\$200,000 - \$224,999	2,439	13.389	49.500	517,640,001	12.395	34.343
\$225,000 - \$249,999	2,007	11.018	60.518	477,088,457	11.424	45.767
\$250,000 - \$274,999	1,922	10.551	71.069	503,322,299	12.052	57.819
\$275,000 - \$299,999	1,669	9.162	80.232	476,371,691	11.407	69.226
\$300,000 - \$324,999	1,354	7.433	87.665	421,000,321	10.081	79.307
\$325,000 - \$349,999	834	4.578	92.243	281,151,015	6.732	86.039
\$350,000 - \$374,999	362	1.987	94.230	130,484,582	3.124	89.164
\$375,000 - \$399,999	308	1.691	95.921	119,419,486	2.860	92.023
\$400,000 - \$424,999	252	1.383	97.305	103,262,462	2.473	94.496
\$425,000 - \$449,999	238	1.307	98.611	104,096,099	2.493	96.988
\$450,000 - \$474,999	123	0.675	99.286	56,405,522	1.351	98.339
\$475,000 - \$499,999	58	0.318	99.605	28,107,731	0.673	99.012
\$500,000 and greater	72	0.395	100.000	41,259,018	0.988	100.000
Total	18,216	100.000%		\$4,176,176,094	100.000%	

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

Largest Taxpayers in SFID No. 3. The twenty taxpayers with the greatest combined ownership of taxable property in SFID No. 3 on the 2010-11 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within SFID No. 3, are shown below.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
Largest 2010-11 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	Percent of Total ⁽¹⁾
1.	Leprino Foods Company Corp.	Food Processing	\$ 99,176,714	1.56%
2.	Tracy Mall Partners LP	Shopping Center	97,731,558	1.53
3.	Catellus Corporate Center Tracy LLC	Warehouse	62,491,461	0.98
4.	Central Valley LLC	Warehouse	50,776,866	0.80
5.	US Industrial REIT Container III	Warehouse	47,541,776	0.75
6.	US Cold Storage of California	Warehouse	30,763,728	0.48
7.	Car Corral Hollow LLC	Shopping Center	29,785,517	0.47
8.	OSH Properties LLC	Warehouse	28,081,724	0.44
9.	Mark T. O'Brien	Warehouse	27,789,178	0.44
10.	Venoco Inc.	Oil & Gas	25,602,089	0.40
11.	YRC Inc.	Truck Terminal	24,339,038	0.38
12.	Kaiser Foundation Health Plan	Medical Offices	19,641,523	0.31
13.	Sycamore Village Invest	Apartments	19,166,223	0.30
14.	McLane Foodservice INC.	Warehouse	17,967,579	0.28
15.	Shirlee M. Queirolo	Shopping Center	17,860,687	0.28
16.	Red Maple Village LP	Shopping Center	17,815,690	0.28
17.	Costco Wholesale Corp.	Commercial	17,609,681	0.28
18.	Victoria Island LP	Agricultural	16,969,982	0.27
19.	Save Mart Supermarket	Shopping Center	16,543,040	0.26
20.	Vintage Production CA LLC	Oil & Gas	16,451,850	0.26
			\$684,105,904	10.73%

⁽¹⁾2010-11 Local Secured Assessed Valuation: \$6,374,552,303
Source: California Municipal Statistics, Inc.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2011B Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2011B Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within SFID No. 3 and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2011B Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last few years in a typical Tax Rate Area of SFID No. 3 (TRA 4-73). This Tax Rate Area comprises approximately _____% of the total fiscal year 2010-11 assessed value of SFID No. 3.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 4-73)
Fiscal Years 2008-2009 Through 2010-11**

	2008-09	2009-10	2010-11
General Tax Rate	1.0000%	1.0000%	1.0000%
Tracy Joint Unified School District	0.0195		.0246
Tracy Joint Unified School District SFID No. 3			.0141
San Joaquin Delta Community College District	0.0160		.0194
Total	1.0355%		1.0581%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2011B Bonds to be approved by a 55% popular vote, bonds approved by SFID No. 3's voters at the November 4, 2008 election may not be issued unless SFID No. 3 projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in SFID No. 3 at the time of issuance of the Series 2011A Bonds and the Series 2011B Bonds, the District projects that the maximum tax rate required to repay the Series 2011A Bonds and the Series 2011B Bonds and all other outstanding bonds approved at the November 4, 2008 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the applicable county board of supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2011B Bonds in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2011B Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and

possessory interests of the taxpayer. The county treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The County does not provide information with respect to the real property tax charges and delinquencies for property within SFID No. 3. See “– Teeter Plan below.

Teeter Plan. 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 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. [The County applies the Teeter Plan to taxes levied for repayment of school district bonds.]

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured roll in that agency. The Board of Supervisors has never elected to exercise this right.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective March 15, 2011, for debt issued as of April 1, 2011. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps SFID No. 3 in whole or in part. Column two shows the percentage of each overlapping agency’s assessed value located within the boundaries of SFID No. 3. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in SFID No. 3.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of SFID No. 3. Such long-term obligations generally are not payable from revenues of SFID No. 3 (except as indicated) nor are they necessarily obligations secured by land within SFID No. 3. 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.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
Statement Of Direct And Overlapping Bonded Debt
As of March 15, 2011**

2010-11 Assessed Valuation: \$6,683,083,514
Redevelopment Incremental Valuation: 822,553,010
Adjusted Assessed Valuation: \$5,860,530,504

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/11</u>
San Joaquin Delta Community College District	10.598%	\$15,212,434
Tracy Joint Unified School District	56.1475	26,860,076
Tracy Joint Unified School District School Facilities Improvement District No. 3	100.000	11,795,000 ⁽¹⁾
City of Tracy Community Facilities Districts	62.919-100.000	87,169,399
City of Tracy 1915 Act Bonds	90.233-100.000	13,461,309
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$154,498,218
Less: City of Tracy Community Facilities District No. 87-1 (economically defeased through investment of state apportionments)		7,416,963
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$147,081,255
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	11.754%	\$21,570,941
City of Stockton General Fund and Pension Obligations	0.004	12,157
City of Tracy General Fund Obligations	81.692	19,328,327
Byron-Bethany Irrigation District General Fund Obligations	0.103	5,629
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$40,917,054
GROSS COMBINED TOTAL DEBT		\$195,415,272⁽²⁾
NET COMBINED TOTAL DEBT		\$187,998,309

⁽¹⁾ Excludes the Series 2011A Bonds and the Series 2011B Bonds.

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

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$11,795,000).....0.18%
Total Gross Direct and Overlapping Tax and Assessment Debt.....2.31%
Total Net Direct and Overlapping Tax and Assessment Debt.....2.20%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt.....3.33%
Net Combined Total Debt.....3.21%

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2011B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when

calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2011B Bonds is less than the amount to be paid at maturity of such Series 2011B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011B Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2011B Bonds is the first price at which a substantial amount of such maturity of the Series 2011B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011B Bonds accrues daily over the term to maturity of such Series 2011B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011B Bonds. Beneficial Owners of the Series 2011B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011B Bonds is sold to the public.

Series 2011B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011B Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011B Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011B Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2011B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011B Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or

the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011B Bonds. Prospective purchasers of the Series 2011B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011B Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011B Bonds ends with the issuance of the Series 2011B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2011B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011B Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2011B Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2011B Bonds at the time of issuance of such series substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2011B Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the

end of the District's fiscal year (currently ending June 30), commencing with the report for the 2010-11 fiscal year (which is due no later than April 1, 2012) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). [In the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of Notice Events.]

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2011B Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2011B Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or SFID No. 3 or contesting the title to their offices of District officers who will execute the Series 2011B Bonds or District or County officials who will sign certifications relating to the Series 2011B Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2011B Bonds.

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

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") has assigned its rating of "____" to the Series 2011B Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2011B Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2011B Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2011B Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel with respect to the Series 2011B Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2011B Bonds. KNN Public Finance, A Division of Zions First National Bank, Oakland, California, is acting as financial advisor to the District. The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, is acting as paying agent.

Underwriting

The Series 2011B Bonds are being purchased for reoffering to the public by Stone & Youngberg LLC (the "Underwriter") pursuant to the terms of a bond purchase contract executed on _____, 2011, by and between the Underwriter and the District (the "Purchase Contract"). The Underwriter has agreed to purchase the Series 2011B Bonds at a price of \$ _____. The Purchase Contract provides that the Underwriter will purchase all of the Series 2011B Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2011B Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into an agreement (the "Distribution Agreement") with First Republic Securities Company LLC, Member FINRA/SIPC, a subsidiary of First Republic Bank, for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement, if applicable to the Bonds, the Underwriter will share a portion of its underwriting compensation with respect to the Bonds, with First Republic Securities Company LLC.

The District has duly authorized the delivery of this Official Statement.

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Tracy Joint Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2011B Bonds is payable from the General Fund of the District or from State revenues. The Series 2011B Bonds are payable from the proceeds of an ad valorem tax approved by the voters of School Improvement Facilities District No. 3 of the Tracy Unified School District ("SFID No. 3") pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County of San Joaquin on property within SFID No. 3 in an amount sufficient for the timely payment of principal or accreted value of and interest on the Series 2011B Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011B BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District includes approximately 425 square miles and includes parts of San Joaquin County ("San Joaquin County") and Alameda County and provides K-12 educational services to the residents of the City of Tracy and certain surrounding unincorporated areas. The District operates seven kindergarten through fifth grade elementary schools, four kindergarten through eighth grade elementary schools, two middle schools, three comprehensive high schools, two alternative education schools, one adult school and one community day school. Total fiscal year 2010-11 enrollment is approximately 16,500.

The District is governed by a seven-member Board of Trustees (the "Board of Trustees"), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Trustees who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Dr. James C. Franco is the District Superintendent and has served in this position since July 1, 2002.

SFID No. 3 is an area located in the District, encompassing approximately 59% of the District (by fiscal year 2010-11 assessed value), and specifically created as a separate tax area for purposes of approving and repaying general obligations of SFID No. 3. SFID No. 3 is located wholly within San Joaquin County. The voters of SFID No. 3 approved the authorization of \$43,100,000 bonds to address crucial facility needs of the schools in SFID No. 3.

Board of Trustees

Current members of the Board, together with their office and the date their term expires, are listed below:

TRACY JOINT UNIFIED SCHOOL DISTRICT (Counties of San Joaquin and Alameda, California)

Board of Trustees

Name	Office	Term Expires
Walter Gouveia	President	December 2012
Greg Crandall	Vice President	December 2014
Jill Costa	Clerk	December 2012
Ted Guzman	Member	December 2014
Greg Silva	Member	December 2014
Bill Swenson	Member	December 2012
James Vaughn	Member	December 2012

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Dr. James C. Franco, Superintendent. [Biography to come.]

Dr. Casey Goodall, Associate Superintendent, Business Services. [Biography to come.]

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 67% of its general fund revenues from State funds, budgeted at approximately \$76.9 million in fiscal year 2010-11. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State

costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2010-11 Budget on October 8, 2010, the latest budget approval in State history.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98

guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 and 2009 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts. The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2011B Bonds, and the District takes no responsibility for informing owners of the Series 2011B Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, 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 *Robles-Wong, et al. v. State of California* ("Robles-Wong"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school funding of education is implemented in the State.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. The lawsuit was decided against the CRA on May 1, 2010. Redevelopment agencies had sued the State over this latter diversion. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2010-11 State Budget. The following information is adapted from a report on the adopted State budget prepared by the Legislative Analyst. The State's fiscal year 2010-11 budget projects \$89 billion of resources available, and \$86 billion of expenditures, with an ending general fund balance of \$1.3 billion. To achieve balance, the state budget includes \$7.8 billion in expenditure cuts, including a reduction of \$1.8 billion in State employee payroll, benefit and related costs, primarily derived from future union agreements or other administrative actions, \$450 million in savings from reduced general fund departmental hiring, and \$130 million in savings from reduced departmental operating costs related to the workforce cap. The budget also assumes the State will receive \$5.4 billion of new federal funding (most of which has yet to be approved by Congress), assumes \$3.3 billion of increased revenue, including \$1.4 billion in higher assumed baseline State revenues, and assumes the State will be authorized and able to make \$2.7 billion of largely one-time loans, transfers and funding shifts.

The spending cuts described above include a \$3.4 billion reduction in education costs due to suspension of the Proposition 98 minimum guarantee. Despite suspension of Proposition 98, ongoing Proposition 98 funding is budgeted to increase \$115 million from the estimated fiscal year 2009-10 funding level to \$49.7 billion, of which the State expects to contribute \$36.2 billion, with local property taxes contributing \$13.4 billion. However, had the Legislature not suspended Proposition 98, the estimated guaranteed amount would have been \$53.8 billion.

The adopted 2010-11 State budget projects that fiscal year 2009-10 spending for education did not fully fund that year's minimum guaranteed amount, creating a new settle-up obligation estimated at \$1.8 billion. The adopted 2010-11 State budget provides \$300 million toward this obligation, which will be provided in the form of \$90 million for annual education mandated costs claims, and \$210 million for school districts' and community colleges' unpaid prior-year mandated costs claims, to be distributed on an equal per-student basis.

State Proposition 98 funding for K-12 schools is budgeted to be \$32.2 billion, or about 1.9% higher than the \$31.6 billion spent in 2009-10. Local property tax revenue, however, is expected to decline about 4.8% from the 2009-10 level of \$12.1 billion to contribute \$11.5 billion to K-12 schools in 2010-11. K-12 education is also slated to receive \$1.5 billion in special one-time federal funding, \$1.2 billion of which is from recent federal grants provided to help retain teaching jobs, and \$272 million is from the last round of federal stabilization funding from the 2009 federal stimulus package.

The reliance on one-time solutions in fiscal year 2009-10 has resulted in the need for fiscal year 2010-11 reductions. These reductions are mostly treated as deferrals of payments rather than cuts. The adopted State budget defers \$1.7 billion of funding from spring of 2011 to July of 2011 (the next fiscal year). Virtually all other K-12 reductions are technical adjustments designed to align appropriations with anticipated program costs, such as for the K-3 Class Size Reduction program.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorizes deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permits deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. The Cash Management Bill also permits the State to move a planned deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provides that the deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation has been enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of \$1.4 billion are deferred and the October 2011 payment of \$2.4 billion is deferred. In September 2011, \$700 million of the July deferral is to be paid, in January 2012, \$4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, \$1.4 billion is to be deferred and paid in April 2012. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in fiscal year 2011-12.

Proposed 2011-12 State Budget. The Governor released his proposed fiscal year 2011-12 State budget (the "2011-12 Proposed State Budget") on January 10, 2011. The 2011-12 Proposed State Budget projects that the State will face a budget gap of \$25.4 billion in fiscal year 2011-12 as a result of a shortfall of \$8.2 billion attributable to fiscal year 2010-11 and a shortfall of \$17.2 billion attributable to fiscal year 2011-12. The 2011-12 Proposed State Budget provides that the 2010-11 State budget relied, in part, on unrealistic assumptions, including the receipt of \$3.6 billion in federal funds and \$1.7 billion in reductions that were not achieved, and indicates that \$26.4 billion in cuts, taxes and other budget

measures will be necessary to close the fiscal year 2011-12 budget gap and provide for a reserve of \$1 billion.

The 2011-12 Proposed State Budget recognizes that fiscal year 2010-11 revenues are \$3.1 billion lower than were projected at the time of approval of the 2010-11 State budget, in part due to the recently enacted federal tax relief, unemployment insurance reauthorization, and the Job Creation Act of 2010, as well as the passage of Proposition 22, which prohibits the use of certain transportation funds to pay for debt service or from being loaned to the General Fund, creating an additional budget shortfall of \$1.6 billion. The 2011-12 Proposed State Budget also anticipates that other workload adjustments including population and caseload changes will add \$2.1 billion to the budget gap. The 2011-12 Proposed State Budget reduces spending by \$12.5 billion, including substantial cuts to most major programs, such as \$1.7 billion to Medi-Cal, \$1.5 billion to California's welfare-to-work program, \$1 billion to the University of California and California State University, \$750 million to the Department of Developmental Services and \$580 million to State operations and employee compensation. The 2011-12 Proposed State Budget proposes a total of \$14 billion in new revenues.

The 2011-12 Proposed State Budget calls for an accelerated timeline to restore balance to the State's finances and assumes that all necessary statutory changes to implement budget measures will be adopted by the State Legislature and signed by the Governor by March of 2011 to allow certain ballot measures to be placed before the voters at a special election to be called for June 2011.

The 2011-12 Proposed State Budget includes some one-time savings and borrowing, including \$1.8 billion in borrowing from special funds, \$1.7 billion in property tax shifts, \$1.0 billion from the Proposition 10 reserve to fund children's programs, and \$0.9 billion from Proposition 63 moneys to fund community mental health services. \$8.2 billion of the budget gap is expected to be one-time in nature.

The 2011-12 Proposed State Budget projects the State will have sufficient cash to repay the entire \$10 billion of State revenue anticipation notes as scheduled in May and June 2011. However, absent corrective action, the State will face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to the current budget proposals, the State will need to obtain external financing early in the 2011-12 fiscal year. Such legislation made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. The Governor proposed that legislation similar to the Cash Management Bill enacted for fiscal year 2010-11 be enacted for fiscal year 2011-12 and, on March 24, 2011, the Governor signed such legislation into law as part of a budget trailer bill. The legislation sets forth a specific deferral plan for K-12 education payments. See "State Cash Management Legislation" above.

The 2011-12 Proposed State Budget plan includes \$2.2 billion in new inter-year deferrals from 2011-12 to 2012-13, \$2.1 billion of which will derive from K-12 revenue limit payments and \$129 million from community colleges apportionment payments. Such deferrals are in addition to the \$1.7 billion of deferrals that were part of the 2010-11 State budget.

The 2011-12 Proposed State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at the same level for fiscal year 2011-12 as is in effect for fiscal year 2010-11. In an effort to maintain funding for schools, fund public safety services at the local level and to balance the budget, the 2011-12 Proposed State Budget anticipates that current tax rates will be continued for another five years and also proposes to apply the single sales factor income allocation rules uniformly to certain corporate taxpayers and to eliminate an ineffective tax expenditure program. These proposals are expected to generate revenues of \$12 billion. The Governor proposes to place a ballot measure before the voters in a special election to be

held in June of 2011 calling for a constitutional measure to extend the four temporary tax increases adopted in February 2009. In the event the voters do not approve the extension of these tax increases, further reductions in spending could be made which would likely impact funding for K-12 education.

As it relates to K-12 education, the 2011-12 Proposed State Budget slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 (\$49.3 billion) from fiscal year 2010-11 (\$49.7 billion) and extends flexibility reforms (discussed below) adopted in 2009 to assist school districts to maintain their core services. Total funding for K-12 education is projected to be \$63.8 billion in fiscal year 2011-12, \$59.5 billion of which is State, federal and local property tax funding accounted for in the 2011-12 Proposed State Budget. Total per-pupil expenditures from all sources are projected to be \$11,154 in fiscal year 2010-11 and \$10,703 in fiscal year 2011-12, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2011-12 Proposed State Budget are \$7,344 in 2011-12, down slightly from \$7,358 per-pupil provided in fiscal year 2010-11.

Major workload adjustments for K-12 education included in the 2011-12 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2011-12 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2011-12. The projected COLA for 2011-12 is 1.67%, which would have provided an increase of \$964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment.
- Property Tax. A decrease of \$47.9 million for school district and county office of education revenue limits is made in fiscal year 2010-11 as a result of higher offsets of property tax revenues. An increase of \$155.7 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of reduced offsets of local property tax revenues.
- Average Daily Attendance. An increase of \$81.4 million in fiscal year 2010-11 for school district and county office of education revenue limits is made as a result of an increase in projected ADA and an increase of \$357.5 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for fiscal year 2011-12.
- Unemployment Insurance. An increase of \$351.8 million in fiscal year 2011-12 is made to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- K-14 Mandates Funding. Ongoing funding of \$89.9 million is provided for K-14 mandates to provide level funding relative to fiscal year 2010-11, for reimbursement of state mandated local costs. Current law suspends for three additional years those programs that were suspended during fiscal year 2010-11.

Some significant non-General Fund workload adjustments are as follows:

- School Construction Program. The workload budget includes a \$316 million decrease in fiscal year 2009-10 actual expenditures, a \$2.07 billion increase in fiscal year 2010-11 estimated expenditures and a \$1.97 billion decrease in fiscal year 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated

allocation of remaining funds from the 1998, 2002, and 2004 bonds. No proposal was made by the Governor to place a school construction bond on the ballot for the 2012 election cycle.

- Child Nutrition Program. An increase of \$36.1 million in fiscal year 2011-12 to the State Department of Education ("SDE") local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies and an increase of \$12.0 million in fiscal year 2011-12 to the SDE local assistance from federal funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.

The 2011-12 Proposed State Budget also proposes to extend various flexibility options for school districts for two additional years. Specifically, it extends authority in the following areas:

- Categorical flexibility. For fiscal years 2008-09 through 2012-13, local educational agencies were given broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district's allocation for each program is based on its share of total program funding either in fiscal year 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs.
- Routine Maintenance Contributions. Local educational agencies were proposed to reduce the amount that districts must deposit into a restricted routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3% of General Fund expenditures to 1%.
- Deferred Maintenance Requirement. The requirement that districts set aside ½% of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

The complete 2010-11 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 herein by such reference.

LAO Overview of 2011-12 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the Legislature, released its report on the 2010-11 Proposed State Budget entitled "2011-12 Budget: Overview of the Governor's Budget" on January 12, 2011 (the "2011-12 Budget Overview") in which the LAO agreed that the \$25.4 billion State budget shortfall estimated in the 2011-12 Proposed State Budget was a reasonable estimate. In the 2011-12 Budget Overview, the LAO concurs with the Governor that the major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget measures, the expiration of various one-time and temporary budget measures approved in recent years, and the failure of the State to obtain significant additional federal funding for key programs. Generally, the 2011-12 Budget Overview recognizes that the 2011-12 Proposed State Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the 2011-12 Proposed State Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing measures are necessary to make substantial improvements in the State's budgetary situation. The 2011-12 Budget Overview supports the extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and to the restructuring of the state local relationship in the delivery of services by shifting funding and responsibility to local governments for those services. The 2011-12 Budget Overview responds favorably to the 2011-12 Proposed State Budget proposals to "realign" state and local program responsibilities and to the proposed changes in local economic development efforts. Nonetheless, the LAO believes there are significant risks in the

2011-12 Proposed State Budget, especially in the context of the realignment and redevelopment proposals which involve many unresolved legal, financial and policy issues. The 2011-12 Budget Overview concludes that the State Legislature will have to make difficult decisions on both its spending and tax commitment and that the 2011-12 Proposed State Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011-12 Budget Overview recognizes that, while the 2011-12 Proposed State Budget includes revenue proposals resulting in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the 2011-12 Proposed State Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for community colleges and child care programs. The 2011-12 Budget Overview also suggests that \$128 million of the anticipated Proposition 98 savings included in the 2011-12 Proposed State Budget cannot be realized and that the assumed \$74 million in savings due to the sunset of the Special Disabilities Adjustment program could violate federal maintenance of effort requirements. In addition, the 2011-12 Budget Overview recommends that the State Legislature could consider a different combination of policy changes to realize child care savings. With respect to community college funding, the 2011-12 Budget Overview supports the 2011-12 Proposed State Budget proposal to increase community college fees.

The 2011 LAO Budget Overview is available on the LAO website at www.lao.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 herein by such reference.

Enacted Budget Trailer Bills. On March 24, 2011, the Governor signed into law several budget trailer bills, even though the fiscal year 2011-12 State budget is yet to be finalized. One bill signed into law, Senate Bill No. 70 (Chapter 7, Statutes of 2011), provides certain statutory changes in the area of education in order to enact modifications to the fiscal year 2010-11 State budget and fiscal year 2011-12 State budget. Among other things Senate Bill No. 70:

- Provides a revenue limit deficit factor of 19.892% for fiscal years 2011-12 and 2012-13 to reflect a \$106.6 million deficit for county offices of education (COEs). Provides a revenue limit deficit factor of 19.608% for fiscal year 2011-12 to reflect a deficit of \$7.7 billion for school districts.
- Defers an additional \$2.1 billion in K-12 funds from fiscal year 2011-12 to fiscal year 2012-13. Specifically, Senate Bill No. 70 shifts \$1.3 billion in March 2012 payments and \$763 million in April 2012 payments to August 2012. This schedule is shorter than the 13 month deferral proposed in the 2011-12 Proposed State Budget.
- Extends various flexibility options to school districts for an additional two years (to fiscal year 2014-15), including categorical flexibility, instructional materials purchase and adoption requirements, routine and deferred maintenance requirements, surplus property, class size reduction, instructional minutes and local budget reserve requirements.
- Extends until fiscal year 2014-15, authorization for new schools, the majority of which are charter schools, to access flexible categorical program funding on par with existing schools.
- Appropriates \$5 million from the State General Fund to augment the Charter School Revolving Loan Fund, which makes low-interest, start-up loans to new charter schools in order to meet the purposes of their charters.

- Establishes a zero percent cost-of-living adjustment (COLA) for K-12 programs in fiscal year 2010-11. Though the actual COLA of 1.67% is not provided, it is applied to the deficit factors established in the bill.
- Provides \$2.3 million in federal funds (\$1.5 million in Title VI and \$781,000 in Title II) for fiscal year 2010-11 for the California Longitudinal Pupil Achievement Data System (CALPADS).
- Applies an 8.9% reduction to categorical programs for basic aid districts in fiscal year 2010-11 and fiscal year 2011-12 commensurate to the revenue limit reduction rate for other school districts in fiscal year 2010-11 and fiscal year 2011-12. Specifies the intent to restore these reductions at the same time, and in direct proportion to restoration of revenue limit reductions.
- Authorizes a statutory appropriation for the K-3 Class Size Reduction program for fiscal year 2011-12. The statute authorizes the Superintendent of Public Instruction to certify the funding needed for the program in fiscal year 2011-12 to ensure full funding for the program.
- Reduces ongoing Proposition 98 funding for special education by about \$13.1 million in fiscal year 2011-12 and backfills with one-time Proposition 98 savings from various programs to cover fiscal year 2010-11 program adjustments.
- Suspends the statutory division of Proposition 98 funding among K-12 educational agencies, community colleges, and other state agencies, and instead conforms the division of funding based upon actual budget appropriations in fiscal year 2011-12.
- Requires the state to adjust the Proposition 98 calculation so that any shift in local property taxes previously received by redevelopment agencies has no effect on the Proposition 98 minimum guarantee in fiscal year 2011-12.

Changes in State Budget. The final fiscal year 2011-12 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2011-12 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by national and State economic conditions and other factors.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2010-11 and in future fiscal years. Continued State budget shortfalls in fiscal year 2010-11 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from each school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs,

employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. The District is not a basic aid district.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2006-07 through 2009-10, and (ii) the District's projected A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2010-11, for kindergarten through grade 12 ("K-12"), including special education.

TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2006-07 Through 2010-11

Fiscal Year	Average Daily Attendance ⁽¹⁾	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2006-07	15,641		
2007-08	15,625	17,333	
2008-09 ⁽²⁾	15,517	17,342	
2009-10 ⁽³⁾	15,494	17,327	
2010-11 ⁽⁴⁾	15,598	16,486	6,697.96

⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of \$ _____. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.

⁽³⁾ The District had a 18.355% base revenue limit deficit factor and a ____% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.75% and a funded base revenue limit of \$ _____, which includes a one time base revenue limit reduction of \$ _____.

⁽⁴⁾ Figures are projections. The District also expects a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which results in a funded base revenue limit of \$ _____.

Source: The District.

In its 2010-11 second interim report, the District projects that it will receive approximately \$[85.9] million in aggregate revenue limit income in fiscal year 2010-11, or approximately [87.3]% of its general fund revenues. State funds for special programs are currently budgeted to be \$13.98 million for fiscal year 2010-11. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently budgeted at \$ _____ million for fiscal year 2010-11.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a "basic aid district." Local property tax revenues account for approximately 27% of the District's aggregate revenue limit income, and are budgeted to be \$22,886,918, or 20% of total general fund revenue in fiscal year 2010-11. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2006-07 through fiscal year 2010-11.

TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
Developer Fees
Fiscal Years 2006-07 through 2010-11

Year	Total Revenues
2006-07	
2007-08	
2008-09	
2009-10	
2010-11 ⁽¹⁾	

⁽¹⁾ Projected.
Source: The District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2010, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Company, LLP, Certified Public Accountants, Pleasanton, California, for fiscal years 2005-06 through 2009-10.

The District's auditors have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2005-06 through 2009-10.

TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2005-06 through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUES					
Revenue limit sources	\$87,838,225	\$95,198,936	\$96,761,130	\$93,280,946	\$81,549,698
Federal sources	4,517,259	3,752,202	4,198,234	11,150,671	9,397,454
Other State sources	13,013,548	21,172,352	19,264,062	16,966,770	18,621,973
Other local sources	7,626,485	8,957,617	9,299,113	8,740,069	8,283,757
Total Revenues	112,995,517	129,081,107	129,522,539	130,138,456	117,852,882
EXPENDITURES					
Current					
Instruction	72,729,652	78,095,475	82,973,433	82,266,644	78,578,030
Instruction-related activities:					
Supervision of instruction	3,246,832	3,553,901	3,740,342	3,691,885	2,802,403
Instructional library, media and technology	3,108,417	3,683,359	3,745,103	3,289,802	3,026,071
School site administration	7,745,071	7,925,323	8,774,530	9,313,131	8,609,439
Pupil services:					
Home-to-school transportation	1,957,557	2,289,306	2,447,803	3,153,556	3,299,879
Food services	-	-	-	-	5,150
All other pupil services	3,746,046	4,337,924	4,722,710	4,752,394	4,658,797
General administration:					
All other general administration	4,551,727	5,145,011	5,173,078	5,154,281	4,771,687
Plant services	9,740,995	11,113,978	11,840,000	11,743,033	10,748,571
Facility acquisition and construction	683,417	872,284	1,086,205	193,020	527,293
Ancillary services	875,468	871,418	899,885	963,552	1,077,623
Community services	133,085	337,919	300,183	272,590	122,462
Other outgo	1,280,702	1,878,067	673,220	831,096	1,013,429
Debt service					
Principal	673,763	126,685	135,802	145,874	143,308
Interest and other	47,390	17,521	9,561	10,983	5,421
Total Expenditures	110,520,122	120,248,171	126,521,855	125,781,841	119,389,563
Excess (Deficiency) of Revenues Over Expenditures	2,475,395	8,832,936	3,000,684	4,356,615	(1,536,681)
Other Financing Sources (Uses):					
Transfers in	270,572	126,410	442,340	3,201,520	5,309,553
Other sources	442,959	164,116	962,442	14,075	27,219
Transfers out	(7,289,228)	(3,053,322)	(6,461,201)	(1,252,219)	(849,851)
Net Financing Sources(Uses)	(6,575,697)	(2,762,796)	(5,056,419)	1,963,376	4,486,921
NET CHANGE IN FUND BALANCES	(4,100,302)	6,070,140	(2,055,735)	6,319,991	2,950,240
Fund Balance – Beginning	13,475,730	9,375,428	15,445,568	13,389,833	19,709,824
Fund Balance – Ending	\$9,375,428	\$15,445,568	\$13,389,833	\$19,709,824	\$22,660,064

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

The following table shows the general fund balance sheet of the District for fiscal years 2005-06 through 2009-10.

TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
Summary of General Fund Balance Sheet
Fiscal Years 2005-06 Through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
ASSETS					
Deposits and investments	\$9,980,457	\$10,325,097	\$11,310,581	\$7,057,001	\$13,478,982
Receivables	6,351,523	5,714,075	9,608,971	17,223,464	21,309,758
Due from other funds	205,620	266,995	236,370	247,000	703,534
[Due from other governments]	-	3,516,218	-	-	-
[Prepaid Expenses]	-	-	-	-	313
Stores inventories	231,037	182,981	255,002	246,881	194,040
Total Assets	\$16,768,637	\$20,005,366	\$21,410,924	\$24,774,346	\$35,686,627
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$4,037,212	\$2,178,400	\$2,480,321	\$3,104,976	\$2,180,735
Due to other funds	2,987,925	1,930,905	5,137,864	651,191	850,553
[Other current liabilities]	-	-	-	-	9,223,943
Deferred revenue	368,072	450,493	402,906	1,308,355	771,332
Total Liabilities	7,393,209	4,559,798	8,021,091	5,064,522	13,026,563
Fund Balances:					
Reserved for:					
Stores inventories	231,037	-	-	-	-
Legally restricted balances	-	7,142,298	6,198,975	8,081,110	5,309,120
Other reservations	2,189,240	197,981	270,002	261,882	209,352
Unreserved:					
Designated	5,585,542	5,288,622	6,920,856	8,079,093	5,564,450
Undesignated, reported in:					
General Fund	1,369,609	2,816,667	-	3,287,739	11,577,142
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total Fund Balances	9,375,428	15,445,568	13,389,833	19,709,824	22,660,064
Total Liabilities and Fund Balances	\$16,768,637	\$20,005,366	\$21,410,924	\$24,774,346	\$35,686,627

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Joaquin County Superintendent of Schools.

The San Joaquin County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to 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 with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year's obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. [The District has never received a negative certification but filed qualified certifications in its _____ interim financial reports for

the fiscal year 20__ - __ and for its ____ interim financial report for fiscal year 20__ - __.] The filed a positive certification in its second interim financial reports for fiscal year 2010-11.

The following table summarizes the District's adopted general fund budgets for fiscal years 2008-09 and 2009-10, unaudited actuals for fiscal years 2008-09 and 2009-10, and second interim report for fiscal year 2010-11.

TRACY JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Joaquin and Alameda, California)
General Fund Budgets for Fiscal Years 2008-09 Through 2009-10,
Unaudited Actuals for Fiscal Years 2008-09 and 2009-10
and Second Interim Report for Fiscal Year 2010-11

	2008-09 Original Adopted Budget	2008-09 Unaudited Actuals	2009-10 Original Adopted Budget	2009-10 Unaudited Actuals	2010-11 Second Interim Report
REVENUES					
Revenue Limit Sources	\$95,856,417.00	\$93,280,944.97	\$87,970,463.00	\$81,549,698.32	\$85,894,068.00
Federal Revenue	4,177,677.00	11,172,683.94	4,687,178.00	9,397,454.29	8,520,191.88
Other State Revenue	15,442,799.00	16,354,040.94	14,963,673.00	13,943,302.77	13,979,533.00
Other Local Revenue	7,833,277.00	8,718,055.29	6,263,311.00	8,283,757.73	6,931,791.00
TOTAL REVENUES	123,310,170.00	129,525,725.14⁽¹⁾	113,884,845.00	113,174,213.11⁽¹⁾	115,325,583.88
EXPENDITURES					
Certificated Salaries	62,836,642.00	62,918,934.03	61,689,568.00	60,510,764.49	58,066,489.03
Classified Salaries	18,080,371.00	17,754,731.02	17,948,392.00	17,101,298.94	16,316,743.21
Employee Benefits	23,636,392.00	23,481,512.62	23,098,804.00	22,485,446.63	22,684,792.88
Books and Supplies	13,226,412.00	5,856,628.51	11,757,008.64	4,727,379.71	9,383,010.07
Services, Other Operating Expenses	9,543,741.00	10,821,535.75	9,600,119.05	9,985,308.59	11,827,089.50
Capital Outlay	782,631.00	1,353,269.82	613,310.00	1,121,311.90	1,409,166.00
Other Outgo (excluding Direct Support/Indirect Costs)	884,119.00	987,953.25	1,035,238.00	1,162,158.71	916,600.00
Transfers of Direct Support/Indirect Costs	(232,161.00)	(165,755.86)	(176,089.00)	(222,474.60)	(215,362.00)
TOTAL EXPENDITURES	128,758,147.00	123,008,809.14⁽¹⁾	125,568,350.69	116,871,194.37⁽¹⁾	120,388,528.69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,447,977.00)	6,516,916.00	(11,681,705.69)	(3,696,981.26)	(5,062,944.81)
OTHER FINANCING SOURCES (USES)					
Inter-fund Transfers In	3,106,368.00	3,201,518.86	5,066,800.00	5,129,476.44	66,800.00
Inter-fund Transfers Out	(1,256,861.00)	(1,252,218.52)	(559,774.00)	(849,850.96)	100,000.00
Other Sources (Uses)	-	14,075.43	-	27,219.48	-
Contributions	-	-	-	180,076.96	-
TOTAL, OTHER FINANCING SOURCES (USES)	1,849,507.00	1,963,375.77	4,507,026.00	4,486,921.92	(33,200.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(3,598,470.00)	8,480,291.77	(7,174,679.69)	789,940.66	(5,096,144.81)
BEGINNING BALANCE, as of July 1	7,128,955.28	13,389,832.80	11,455,260.59	21,870,124.57	22,660,065.23
Audit Adjustments	-	-	-	-	-
As of July 1 - Audited	7,128,955.28	13,389,832.80	11,455,260.59	21,870,124.57	22,660,065.23
Other Restatements	-	-	-	-	-
Adjusted beginning Balance	7,128,955.28	13,389,832.80	11,455,260.59	21,870,124.57	22,660,065.23
ENDING BALANCE	3,530,485.28	21,870,124.57⁽¹⁾	4,280,580.90	22,660,065.23⁽¹⁾	17,563,920.42

⁽¹⁾ [Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions of 4.517% of teacher payroll to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports, amounting to \$2,773,030 and \$2,518,369 in fiscal years 2008-09 and 2009-10, respectively. The District's audited financial statements include such amounts as revenue and as an expenditure. In addition, the District has made a downward adjustment to its fiscal year 2008-09 revenues in its audited financial statements (and, therefore, its June 30, 2009, audited ending balance and July 1, 2009 audited beginning balance) to reflect a legislative reduction of State categorical funds in the amount of \$_____ after the close of the District's 2008-09 fiscal year.]

Source: District Adopted General Fund Budgets for fiscal years 2008-09 and 2009-10; unaudited actuals for fiscal years 2008-09 and 2009-10; and second interim report for fiscal year 2010-11.

District Debt Structure

Long-Term Debt Obligations. The changes in the District's long-term obligations for the year ended June 30, 2010, consisted of the following:

Long-Term Debt	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
General obligation bonds	\$60,790,000	\$ -	\$460,000	\$60,330,000	\$720,000
Compensated absences	165,506	-	39,761	125,745	-
Capital leases	165,749	26,150	92,005	99,894	49,445
Other postemployment benefits	1,844,738	2,246,394	2,008,149	2,082,983	-
Supplementary early retirement plan	1,327,773	-	265,555	1,062,218	265,555
Totals	<u>\$64,293,766</u>	<u>\$2,272,544</u>	<u>\$2,865,470</u>	<u>\$63,700,840</u>	<u>\$1,035,000</u>

[General Obligation Bonds. The District has four series of bonds outstanding, excluding the Series 2011A Bonds and the Series 2011B Bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The following table summarizes the District's bonds that were outstanding as of June 30, 2010:]

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Redeemed	Bonds Outstanding June 30, 2010
Series 2006 Bonds	8/8/2006	8/1/2031	4.00% - 8.00%	\$14,000,000	\$11,835,000	\$290,000	\$11,545,000
Series 2007 Bonds	11/8/2007	8/1/2032	4.00% - 8.00%	20,000,000	19,955,000	170,000	19,785,000
Series 2008 Bonds	8/13/2008	8/1/2033	2.75%-10.00%	17,000,000	17,000,000	-	17,000,000
Series 2009 Bonds	5/5/2009	8/1/2033	3.00%-6.00%	12,000,000	12,000,000	-	12,000,000
				<u>\$63,000,000</u>	<u>\$60,790,000</u>	<u>460,000</u>	<u>\$60,330,000</u>

The general obligation bonds have debt service requirements as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 720,000	\$ 2,910,840	\$ 3,630,840
2012	990,000	2,859,289	3,849,289
2013	755,000	2,807,363	3,562,363
2014	885,000	2,753,788	3,638,788
2015	1,045,000	2,693,915	3,738,915
2016-2020	7,910,000	12,491,678	20,401,678
2021-2025	13,425,000	10,137,351	23,562,351
2026-2030	20,605,000	5,702,618	26,307,618
2031-2035	13,995,000	634,430	14,629,430
Total	<u>\$60,330,000</u>	<u>\$42,991,272</u>	<u>\$103,321,272</u>

[See also "THE SERIES 2011B BONDS—Outstanding Bonds" and "— Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for these bonds.]

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2011	\$50,513
2012	44,667
2013	10,421
2014	7,261
Total	112,862
Less: Amount Representing Interest	(12,968)
Present Value of Minimum Lease Payments	\$99,894

Lease land, buildings and equipment under capital leases in capital assets at June 30, 2010, include the following:

Equipment	\$530,067
Less Accumulated Depreciation	143,461
Total	\$673,528

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides certain post retirement healthcare benefits, in accordance with District employment contracts. For a description of the District's program, which is a single-employer defined benefit healthcare plan that provides medical, dental and vision insurance benefits, see Note 11 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the fiscal year ended June 30, 2008.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Trustees, and may be amended by the District from time to time. The District's current funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and plan expenses, with additional amounts to prefund benefits as determined annually by the District's Board of Trustees. The District contributions for these benefits for fiscal years 2007-08, 2008-09 and 2009-10 were \$1,484,159, \$2,175,959 and \$2,008,149, respectively. The District projects that its employer contributions for these benefits for fiscal year 2010-11 will be approximately \$2,220,150. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Total Compensation Systems, Inc., _____, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of April 1, 2009, the District had an accrued unfunded liability of \$21,610,970. For more information regarding the actuarial valuation, the District's annual required contribution for 2009-10 and the District's net OPEB obligation at June 30, 2010, as well as the basic assumptions upon which the valuation was based, see Note 11 to the District's

financial statements attached hereto as APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010.”

Supplementary Early Retirement Plan. The District implemented a supplementary early retirement plan (“SERP”) during the year ended June 30, 2009. Eligible employees must have five or more years of service with the District, be eligible to retire under the State Teachers Retirement System (CalSTRS), retire effective on or before July 1, 2009, and have applied for benefits under SERP. The District funds the supplemental benefit for each SERP participant through employer contributions equal to 75% of a participant’s final pay. The benefits provided under SERP are to be funded in five annual contributions of \$265,555 beginning July 2009.

Tax and Revenue Anticipation Notes. On April 27, 2010, the District issued \$9,165,000 of Tax and Revenue Anticipation Notes (“TRANS”) through the _____ bearing interest at 2.5%. The TRANS were issued to supplement cash flows. Interest and principal were due and payable, and were paid, on December 30, [2010]. [other TRANS ?]

Employment

As of June 30, 2010, the District employed 1,302.65 employees, consisting of 725.5 non-management certificated employees, 76.2 certificated management employees, 452.7 classified non-management employees, and 48.25 classified management employees. For the year ended June 30, 2010, the total certificated and classified payrolls are estimated to be approximately \$58,066,489 and \$16,316,743, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Tracy Educators’ Association	_____	June 30, 2012
California Schools Employees Association	_____	June 30, 2011

Retirement Benefits

The District participates in retirement plans with the State Teachers’ Retirement System (“CalSTRS”), which covers all full-time certificated District employees, and the State Public Employees’ Retirement System (“CalPERS”), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a \$118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional \$92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial \$23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2009, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of \$40.5 billion, an increase of \$18 billion from the June 30, 2008 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005-06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially.

The District's employer contributions to CalSTRS for fiscal years 2007-08, 2008-09 and 2009-10 were \$5,193,213, \$5,077,659 and \$4,901,566, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2010-11 will be approximately \$4,676,315.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2009, the CalPERS Plan for Schools had a funded ratio of 65% on a market value of assets basis. The funded ratio as of June 30, 2008 and June 30, 2007 was 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

The District's employer contributions to CalPERS for fiscal years 2007-08, 2008-09 and 2009-10 were \$1,650,071, \$1,674,045 and \$1,714,287, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2010-11 will be approximately \$1,552,215.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS

are more fully described in Appendix B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, Note 13.”

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District is a member of the San Joaquin County Schools Workers’ Compensation public entity risk pool (SJCSWC) and the San Joaquin County Schools Data Processing Joint Powers Authority (SJCSDP). The District pays an annual premium to the applicable entity for its workers’ compensation coverage and information technology support. The relationships between the District, the pool and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District’s financial statements attached hereto; however, fund transactions between the entities and the District are included in the District’s financial statements attached hereto. During the year ended June 30, 2010, the District made payment of \$1,325,652 to SJCSWC and \$454,941 to SJCSDP. See Appendix B— “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, NOTE 15.”

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This 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 permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to 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 and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a

property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from 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.

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

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2009-10 fiscal year are equal to the allowable limit of \$85,288,663 and estimates an appropriations limit for the 2010-11 fiscal year of \$83,170,535. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIII C and Article XIII D of the California Constitution

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K through 12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION — State Funding of Education; State Budget Process."

Future Initiatives

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

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2011B Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2011B Bonds in substantially the following form:

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

SAN JOAQUIN COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of San Joaquin. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector, 625 Court Street, Room 100, Martinez, California 94553, phone number (925) 957-2850.

SAN JOAQUIN COUNTY INVESTMENT POOL
TREASURER'S QUARTERLY INVESTMENT REPORT

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2011B Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2011B Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011B Bonds (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 issue, 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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend 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 District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

APPENDIX G

TABLES OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

APPENDIX H

TABLES OF ACCRETED VALUES OF CONVERTIBLE CAPITAL APPRECIATION BONDS