PRELIMINARY OFFICIAL STATEMENT DATED _______________, 2017

NEW ISSUES – FULL BOOK-ENTRY-ONLY

RATINGS: Series A-1: Standard & Poor's: "_____"
Series A-2: Standard & Poor's: "_____"
Series A-3: Standard & Poor's: "_____"

(See "RATINGS" herein.)

[In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Participants, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes designated as and comprising interest with respect to the Certificates is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes designated as and comprising interest with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Participants, under existing statutes, interest on the Notes designated as and comprising interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.]

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LOS ANGELES COUNTY SCHOOLS POOLED FINANCING PROGRAM 2017-18 POOLED TRAN PARTICIPATION CERTIFICATES SERIES A

Evidencing and Representing Proportionate and Undivided Interests
of the Owners Thereof in 2017-18 Tax and Revenue Anticipation Notes of
Certain Los Angeles County School Districts

$_________*
LOS ANGELES COUNTY SCHOOLS POOLED FINANCING PROGRAM
2017-18 POOLED TRAN PARTICIPATION CERTIFICATES
SERIES A-1

$_________*
LOS ANGELES COUNTY SCHOOLS POOLED FINANCING PROGRAM
2017-18 POOLED TRAN PARTICIPATION CERTIFICATES
SERIES A-2

$_________*
LOS ANGELES COUNTY SCHOOLS POOLED FINANCING PROGRAM
2017-18 POOLED TRAN PARTICIPATION CERTIFICATES
SERIES A-3

Date of Issue: Date of Delivery

Maturity Dates: As shown on inside cover.

The Certificates will be delivered as fully registered certificates, without coupons, and when delivered will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Certificates. Individual purchases of beneficial interests in the Certificates will be made in book-entry form only and in the principal amount of $5,000 or any integral multiple thereof. **Purchasers of such beneficial interests will not receive physical delivery of the Certificates.** Principal and interest due with respect to the Certificates will be payable on the maturity date set forth above (the "Maturity Date") by the Treasurer and Tax Collector of the County of Los Angeles, acting as fiscal agent (in such capacity, the "Certificate Agent"), to DTC. Interest is payable on the basis of a 360-day year of twelve 30-day months. DTC will in turn remit such principal and interest to the DTC Participants (as hereinafter defined), who will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Certificates (see "DESCRIPTION OF THE CERTIFICATES – Book-Entry System" herein).

The Certificates will not be subject to prepayment prior to their respective maturities.

The Certificates evidence and represent a proportionate and undivided interest in (i) 2017-18 tax and revenue anticipation notes (individually, a "Note" and collectively, the "Notes") issued by certain school districts located within the County of Los Angeles (the "Participants") and (ii) debt service payments on the Notes attributable to the Certificates to be made by the respective Participants. Each Participant has pledged certain unrestricted revenues as described herein for the payment of the principal of and interest on its Note, but no Participant has any obligation to pay the principal of or interest on the Note of any other Participant. In accordance with California law and resolutions of the governing board of each Participant, the Notes are general obligations of the respective Participants payable out of the taxes, income, revenue, cash receipts, and other moneys of such Participants received or accrued by the Participant for the general fund of such Participant for Fiscal Year 2017-18 and, to the extent the Notes are not paid from revenues pledged for the payment of the Notes, the Notes shall be paid with interest thereon from any other moneys of the Participants lawfully available therefor. Payments by a Participant of the principal of and interest on its Note shall fully discharge the obligations of such Participant to the Owners of the Certificates, notwithstanding nonpayment by one or more other Participants.

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* Preliminary; subject to change.

The obligation of each Participant is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under the applicable Participant Resolution and Note.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Certificates will be offered when, as and if executed and delivered to and received by the Underwriters, subject to approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Certificates, in book-entry form, will be available for delivery through the facilities of DTC on or about _________, 2017.

RBC CAPITAL MARKETS **STIFEL**

Dated: __________, 2017

MATURITY SCHEDULE

$_________*
LOS ANGELES COUNTY SCHOOLS
POOLED FINANCING PROGRAM
2017-18 POOLED TRAN
PARTICIPATION CERTIFICATES
SERIES A

Evidencing and Representing Proportionate and Undivided Interests
of the Owners Thereof in 2017-18 Tax and Revenue Anticipation Notes of
Certain Los Angeles County School Districts

$__________*	$__________*	$_________*
SERIES A-1	SERIES A-2	SERIES A-3

Principal Amounts, Interest Rates, Yields and CUSIP

Series	Principal Amount	Interest Rate	Priced to Yield	CUSIP No. (54515E)[(1)]	Maturity Date*
A-1					
A-2					
A-3					

[(1)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Participants, nor the County is responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representation must not be relied upon as having been authorized by the Participants. The information set forth in this Official Statement has been obtained from the Participants, the County of Los Angeles (see the caption "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS") and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the Participants since the date hereof. This Official Statement does not constitute an offer to sell the Certificates in any state or other jurisdiction to any person to whom it is unlawful to make such an offer in such state or jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

All summaries of the Notes, the Trust Agreements, the Resolutions (each as defined herein) and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement is submitted in connection with the execution and delivery of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

This Preliminary Official Statement has been "deemed final" by the Participants for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FORWARD-LOOKING STATEMENTS. NO ASSURANCE IS GIVEN THAT ACTUAL RESULTS WILL MEET THE FORECASTS CONTAINED HEREIN IN ANY WAY. THE PARTICIPANTS DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR DO NOT OCCUR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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SERIES A

Evidencing and Representing Proportionate and Undivided Interests
of the Owners Thereof in 2017-18 Tax and Revenue Anticipation Notes of
Certain Los Angeles County School Districts

$________*
LOS ANGELES COUNTY SCHOOLS POOLED
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SERIES A-1

$________*
LOS ANGELES COUNTY SCHOOLS POOLED
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SERIES A-2

$________*
LOS ANGELES COUNTY SCHOOLS POOLED
FINANCING PROGRAM
2017-18 POOLED TRAN PARTICIPATION CERTIFICATES
SERIES A-3

INTRODUCTION

This Official Statement, including the cover page, inside cover, table of contents and appendices, sets forth certain information concerning $__________* aggregate principal amount of the Los Angeles County Schools Pooled Financing Program 2017-18 Pooled TRAN Participation Certificates, Series A, comprised of the $__________* aggregate principal amount of the Los Angeles County Schools Pooled Financing Program 2017-18 Pooled TRAN Participation Certificates, Series A-1 (the "Series A-1 Certificates"), $_______* aggregate principal amount of the Los Angeles County Schools Pooled Financing Program 2017-18 Pooled TRAN Participation Certificates, Series A-2 (the "Series A-2 Certificates"), and $__________* aggregate principal amount of the Los Angeles County Schools Pooled Financing Program 2017-18 Pooled TRAN Participation Certificates, Series A-3 (the "Series A-3 Certificates" and together with the Series A-1 Certificates and the Series A-2 Certificates, the "Certificates"). The Certificates evidence and represent proportionate and undivided interests in (1) 2017-18 Tax and Revenue Anticipation Notes (individually, a "Note" and collectively, the "Notes") issued by certain school districts (collectively, the "Participants," and with respect to the Series A-1 Certificates, the "Series A-1 Participants," with respect to the Series A-2 Certificates, the "Series A-2 Participants") and with respect to the Series A-3 Certificates, the "Series A-3 Participants") located in the County of Los Angeles (the "County") participating in such series and (2) the debt service payments on the Notes attributable to the Certificates to be made by the respective Participants. Each Note is issued pursuant to Article 7.6, Sections 53850 *et seq.*, and particularly under authority of Section 53853, of the California Government Code (the "Government Code"), and separate resolutions adopted by the governing board of each Participant (each, a "Participant Resolution" and collectively, the "Participant Resolutions") and a resolution adopted by the Los Angeles County Board of Supervisors (the "Board of Supervisors") on __________, 2017 (the "County Resolution," and collectively with the Participant Resolutions, the "Resolutions").

The Certificates of each series will be executed and delivered by The Bank of New York Mellon Trust Company, N.A., acting as Certificate Agent (the "Certificate Agent"), pursuant to separate Trust Agreements, each dated as of __________, 2017 related to each series of Certificates (the "Trust Agreements"), between the County and the Certificate Agent, as authorized by the Resolutions. See "THE

* Preliminary; subject to change.

PARTICIPANTS" herein for a listing of the Participants and APPENDIX A – "PARTICIPANT INFORMATION AND CASH FLOW STATEMENTS" and APPENDIX B – "COVERAGE ANALYSIS" for a summary description of certain information relating to each Participant.

The Notes are being issued to provide operating cash for the Participants prior to their receipt of anticipated tax payments and other revenues. Imbalances in the Participants' cash flows, resulting from the timing of expenditures and receipts, require that the Participants borrow funds in order to meet all scheduled disbursements, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the Participants. Each Participant has pledged, pursuant to Section 53856 of the Government Code and its respective Participant Resolution, certain unrestricted revenues to be received by such respective Participant for the payment, when due, of the principal of and interest on its Note. No Participant has any obligation to pay the principal of or interest on the Note of any other Participant. The Notes are general obligations of the respective Participants and, to the extent that a Note is not paid from such pledged revenues of each Participant, such Note shall be paid, with interest thereon, from any other moneys of the affected Participant lawfully available therefor, pursuant to Section 53857 of the Government Code. See "SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

All quotations from and summaries and explanations of provisions of the laws of the State of California (the "State") and acts and proceedings of the Participants contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Certificates, the Notes and the proceedings of the Participants relating thereto are qualified in their entirety by reference to the definitive forms of the Certificates, the Notes and such proceedings. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the related Trust Agreement.

THE TRANSACTION

It is intended that on the date of issuance of the Notes and the execution and delivery of the Certificates (the "Closing Date"), pursuant to the related Trust Agreements, the following transactions shall occur simultaneously: (a) the County, acting through the County Treasurer and Tax Collector (the "Treasurer"), shall purchase the Notes and, simultaneously with such purchase, the Notes shall be assigned to and deposited with the Certificate Agent. The Certificate Agent shall hold the Series A-1 Notes in trust until __________, 2018 (the "Series A-1 Maturity Date"), the Series A-2 Notes in trust until __________, 2018 (the "Series A-2 Maturity Date"), the Series A-3 Notes in trust until _____, 2018 (the "Series A-3 Maturity Date" and along with the Series A-1 Maturity Date and the Series A-2 Maturity Date, the "Maturity Dates"); (b) the Certificate Agent shall sell the Certificates to, and such Certificates shall be purchased by, RBC Capital Markets, LLC and Stifel Nicolaus & Company, Incorporated (collectively, the "Underwriters") pursuant to a Purchase Contract by and between the Treasurer and RBC Capital Markets, LLC, as representative of the Underwriters; and (c) pursuant to the related Trust Agreements, the Certificate Agent shall execute and deliver the Certificates (in authorized denominations) to, and shall cause such Certificates to be registered in the name of, The Depository Trust Company ("DTC"), or its nominee, for the benefit of the beneficial owners of interests in the Certificates described herein ("Beneficial Owners").

The purchase price for the Notes shall be derived solely from the proceeds received from the sale of the Certificates, which shall be an amount equal to the principal amount of all of the Notes, less any discount, plus any premium. The Certificates shall represent undivided, proportionate interests in the Notes and the debt service payments to be made by the Participants under such Notes. Debt service payments made by the Participants with respect to their Notes, taking into consideration anticipated investment earnings thereon to the maturity date of the Notes, shall be remitted by the Treasurer, acting as Certificate Agent (in such capacity, the "Certificate Agent") by wire transfer to DTC or its nominee, which in turn will remit such payments to participants in DTC ("DTC Participants") for subsequent disbursement to the Beneficial Owners. See "DESCRIPTION OF THE CERTIFICATES — Book-Entry System" herein. The Certificate Agent agrees to hold the Notes until their maturity for the benefit of the Beneficial Owners.

Neither the Certificate Agent nor the Certificate Agent shall have any further liability with respect to payments of principal and interest with respect to the Certificates or any fiduciary responsibility to the Certificate owners or the Beneficial Owners except as expressly set forth in the related Trust Agreement or the terms of the Certificates. See "THE TRUST AGREEMENTS" herein.

Each Participant expects to apply all the proceeds of its Note during Fiscal Year 2017-18 for operating expenses incurred in such fiscal year. However, it is possible that a Participant may be able to use restricted funds on a temporary basis to pay such operating expenses. Such restricted funds, if used, will be required to be repaid by the Participant out of Note proceeds or other available funds.

THE PARTICIPANTS

The school districts participating in the financing herein described and the principal amounts of their respective Notes are set forth below:

Series A-1 Notes:

Series A-1 Participants	Principal* Amount

Series A-2 Notes:

Series A-2 Participant	Principal* Amount

Series A-3 Notes:

Series A-3 Participants	Principal* Amount

DESCRIPTION OF THE CERTIFICATES

The Certificates

The Series A-1 Certificates will be executed and delivered as fully registered certificates in the aggregate principal amount of $__________*, the Series A-2 Certificates will be executed and delivered as fully registered certificates in the aggregate principal amount of $__________*, and the Series A-3 Certificates will be executed and delivered as fully registered certificates in the aggregate principal amount of $__________*. The Certificates will be dated, will mature and will have an interest component calculated at the rates per annum, all as shown on the inside cover page hereof. Principal and interest with respect to the Certificates will be payable on the respective Maturity Dates therefor. Principal and interest due with respect to the Certificates will be payable by the Certificate Agent from amounts on deposit in the various related Repayment Funds to DTC, which will in turn remit such principal and interest to the DTC Participants. It is the responsibility of the DTC Participants to remit such principal and interest to the

* Preliminary; subject to change.

Beneficial Owners. The Certificates and the Notes evidenced thereby are not subject to prepayment prior to their maturity.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates 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 in the aggregate principal amount of each series of the Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ assigned by S&P (as defined herein). The DTC Rules applicable to its Direct and Indirect Participants (collectively, the "DTC Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by DTC 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 the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Participants (or the Certificate Agent on behalf thereof) 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Certificates 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 Participants or Certificate Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC, the Certificate Agent, or the Participants, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Participants or Certificate 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 DTC Participants.

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

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

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

SOURCES OF PAYMENT FOR THE CERTIFICATES

The Notes

The Certificates of each series evidence and represent proportionate and undivided interests in the Notes of such series and in debt service payments to be made thereon by the Participants.

The Notes are general obligations of the respective Participants and, to the extent not paid from the Pledged Revenues of the related Participant, shall be paid from any other moneys of such Participants lawfully available therefor. See "PARTICIPANT FINANCES" herein. However, except for the Pledged Revenues, the Participants are not prohibited from pledging, encumbering and utilizing other moneys for other purposes and there can be no assurance that such other moneys will be available for the payment of the principal and interest with respect to the Certificates and the Notes evidenced thereby. **No Participant has any obligation to pay the principal of or interest on the Note of any other Participant.**

Assignment of Notes

Pursuant to each Trust Agreement, the Notes and all right, title and interest therein and to all payments thereon, are irrevocably assigned, pledged and transferred to the Certificate Agent for the benefit of the registered owners of the related Certificates (the "Owners"). The debt service payments on the Notes shall be deposited into the related Repayment Fund (as defined herein) and, together with anticipated investment earnings thereon, shall be used for the payment of the interest on and principal of the Certificates, and the Notes will not be pledged to or used for any other purpose while any of the Certificates remain outstanding. The assignment, transfer and pledge of the Notes to the Certificate Agent pursuant to the related Trust Agreement shall constitute a first and exclusive lien on the principal and interest payments of and all other rights under the Notes in accordance with the related Trust Agreement.

All principal and interest payments on the Notes shall be paid directly by each Participant to the Treasurer for deposit into such Participant's Repayment Fund and reinvested through the Maturity Date of such Participant's Note. All money in the Repayment Funds shall be held in trust for the benefit and security of the Registered Owners of the related series of Certificates. If the amount on deposit in a Participant's Repayment Fund is in excess of the amounts required to pay the principal of and interest due on such Participant's Note on the Maturity Date therefor, such excess amounts shall remain in such Participant's Repayment Fund and, subject to any rebate requirements as specified in the Tax Certificate of each Participant dated the date of delivery, shall be transferred to the general fund of such Participant following payment of the amount of Certificates corresponding to such Participant's Note. To the extent Note repayments are received from a Participant that are less than the amounts required to pay the principal of and interest due on such Participant's Note on the Maturity Date, the Certificate Agent shall apply the moneys received in the following order of priority: first, to pay interest on such Note; and second, to pay the principal of such Note.

Pledged Revenues

As security for the Notes, the Participants have each pledged certain Unrestricted moneys (the "Pledged Revenues"), and the principal of the Notes and the interest thereon shall constitute a first lien on and charge against the Pledged Revenues. "Unrestricted moneys" means taxes, income, revenue, cash receipts and other moneys attributable to Fiscal Year 2017-18 and intended as receipts for the general funds of the Participants and which are generally available for the payment of current expenses and other obligations of the Participants.

The respective amounts of Pledged Revenues specified as security for each Participant's Note pursuant to the Participant Resolutions and expressed as a percentage of the principal amount of each Participant's Note are reflected in the following table, together with the months during which such Pledged Revenues are expected to be deposited in the Repayment Funds (as hereinafter defined), with the deposits during each Pledge Month required to be made on or before the last business day of that month:

PARTICIPANT	Pledge Month[1]	% of Notes	Pledge Month[1][2]	% of Notes

(1) Pledge months are in 2018.

(2) The payment in the final Pledge Month includes an amount sufficient to pay the interest due on the particular Participant Note.

Each Participant shall cause the debt service payments on its Note to be deposited in a separate fund for such Participant to be held by the Treasurer until the amount on deposit in such fund, taking into consideration anticipated investment earnings thereon to be received by the Maturity Date of the related Note, is equal in the respective repayment months to the percentages of the principal and interest due on such Note at maturity as set forth above for that Participant. The amounts deposited therein shall be applied solely to the payment of the Note and the related Certificates at the times and in the manner set forth in the Resolutions and the related Trust Agreement. See "Repayment Funds" below.

Intercept Procedure

In the State of California, school district revenues are received and deposited by the county in which such school district is located. Each Participant has approved a Resolution directing the Auditor-Controller of the County (the "Auditor-Controller") to intercept Pledged Revenues and place them on deposit with the Treasurer. Each Participant's Resolution includes such pledge. The County has covenanted to intercept the Pledged Revenues of such Participants.

Under this procedure, the Auditor-Controller will deposit Pledged Revenues directly in the respective Repayment Fund. Upon such deposit, such amounts will be invested in the Los Angeles County Treasury Pool (the "Treasury Pool") or in such other Permitted Investments and will not be available for the respective Participant. See "- Repayment Funds" herein.

Repayment Funds

In accordance with the provisions of the Resolutions, there will be established a repayment fund for each such Participant (each, a "Repayment Fund" and collectively, the "Repayment Funds"), into which amounts sufficient to pay principal of and interest on the Note issued by such Participant will be deposited. All moneys deposited in the Repayment Funds are required to remain on deposit until the simultaneous maturity date of the applicable series of Notes and the Certificates, at which time they will be applied, along with the investment earnings thereon, to the extent necessary, to pay the principal of and interest due on the Notes. On the respective Maturity Date of a series of the Certificates, debt service payments on the Notes shall be applied to the payment of principal and interest due with respect to the related series of Certificates. Amounts on deposit in the Repayment Funds may not be used for any other purpose; however, they may be invested in certain investments as described below under the sub-caption "Investment of Note Proceeds and Repayment Fund," provided such investments mature in sufficient time to permit the timely payments from the Repayment Funds of principal and interest with respect to the Notes and the Certificates. All investment income shall accrue to and become part of the Repayment Funds. When the aggregate amount in the Repayment Funds is sufficient to pay the principal of and interest on the Notes and the Certificates when due, any excess amounts may be transferred to the general funds of the Participants, as applicable, and applied by the respective Participant for any lawful purpose. In the event that there are insufficient funds in a Repayment Fund of a Participant on the third business day prior to the last business day of a Pledge Month, the Treasurer shall direct the Auditor-Controller to draw from the Unrestricted money of such Participant held by the Treasurer and attributable to such Participant for the purpose repaying such Participant's Note. **No Participant's Repayment Fund will be available to make up a deficiency in the Repayment Fund of another Participant or for payment of the principal of or interest on any other Participant's Note.**

Investment of Note Proceeds and Repayment Funds

The Trust Agreements provide that Note proceeds and amounts in the Repayment Funds are permitted to be invested at the direction of the Treasurer in the following investments; provided, however, that amounts shall not be invested in investments with the respective maturity dates later than when funds are needed to make necessary payments of principal and interest with respect to the Certificates and in no event later than the Maturity Date of the Certificates.

1. Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America;

2. Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) the Federal Home Loan Mortgage Corporation (FHLMC) comprised of participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and senior obligations; (c) the Federal National Mortgage Association (FNMA) comprised of senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts); (d) Federal Farm Credit Bank (FFCB); (e) Student Loan Marketing Association (Sallie Mae) comprised of senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

3. Commercial paper having original maturities of not more than 270 days, payable in the United States of America rated "A-1+" by S&P and "Prime-1" by Moody's Investors Service ("Moody's") and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's debt, other than commercial paper, as provided by Moody's or S&P. The maximum total par value may be up to 15% of the total amount held by the Certificate Agent in accordance with the related Trust Agreement;

4. The Treasury Pool (see the caption, "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS" herein);

5. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, having original maturities of not more than 30 days, with a maximum par value of 30% of the total amount held by the Certificate Agent in accordance with the related Trust Agreement. The institution must have a minimum short-term rating of "A-1" and "P-1" by S&P and Moody's respectively, and a long-term rating of no less and "A";

6. Shares of beneficial interest issued by diversified management companies that are money market funds (including funds of the Certificate Agent and/or its affiliates) registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. 80a-1, *et seq*.), limited to investments in obligations of the United States Government and its agencies and instrumentalities, whose fund has received the highest possible rating from at least two nationally recognized statistical rating organizations, with one such rating being at least "Aam-G" from S&P. The maximum par value may be up to 15% of the total amount held by the Certificate Agent in accordance with the related Trust Agreement;

7. Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has obligations outstanding having a rating of "A-1+" and "P-1" or better from Moody's and S&P, respectively;

8. Repurchase agreements may have a maximum maturity of 30 days and must be fully secured at or greater than 102% of their market value, plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number 2 above, the provider of which must have a minimum short-term rating of at least "A-1+" from S&P; and

9. Investment agreements and guaranteed investment contracts rated at least "Aa3" by Moody's and "AA-" by S&P.

All of the Note proceeds will be invested in the Treasury Pool.

THE TRUST AGREEMENTS

Pursuant to the Trust Agreement for each series of Certificates, The Bank of New York Mellon Trust Company, N.A. is appointed to act as Certificate Agent with respect to the Certificates, with the duty to hold the Notes in trust until maturity for the benefit of the Beneficial Owners of the Certificates. The Certificate Agent is further appointed to act as Registrar for the Certificates and, in such capacity, to keep and maintain books and records as to the ownership, transfer and exchange of the Certificates.

A portion of the net proceeds from the sale of the Certificates of each series will be deposited with, and disbursed by, the Certificate Agent for the payment of certain costs of issuance. The Treasurer, in its capacity as Certificate Agent, shall make payments with respect to the Certificates when duly presented at the Maturity Date.

Each Participant has covenanted in its respective Participant Resolution to cause its Repayment Fund to be maintained by the Treasurer, who shall cause the application of the amounts deposited therein solely to the payment of the Notes and the Certificates at the times and in the manner set forth in the Participant Resolutions (each, a "Repayment Date"). In each of the Trust Agreements, the Certificate Agent has covenanted that it will duly and punctually pay or cause to be paid interest with respect to the Certificates from the payments of interest on the Notes on deposit in the Repayment Funds, payable on the maturity date thereof, the principal and interest with respect to the Certificates, that it will not pledge, assign, subject to any lien, or otherwise encumber the debt service payments received from any Participant, and that it shall apply such payments solely to the payment of the principal and interest due with respect to the Certificates. The County covenants in each of the Trust Agreements that it will duly and punctually cause the payments of principal and interest with respect to the Certificates from the payments of principal and interest on the Notes; *provided, however* that the County shall not be required to expend any funds other than moneys paid by the Participants as and for payments of principal of and interest on the Notes, including Pledged Revenues and amounts deposited into the Repayment Funds and any other moneys lawfully available therefor pursuant to the Participant Resolutions. The Certificate Agent covenants in the Trust Agreements that in no event shall the Certificate Agent be required to expend any of its own funds or incur any personal liability. The Certificate Agent further covenants in each Trust Agreement that it will faithfully observe and perform all of the conditions, covenants and requirements of such Trust Agreement, that it will not pledge, assign, subject to any lien, or otherwise encumber the related Notes or any interest therein other than as contemplated by such Trust Agreement and that it will hold the related Notes for the sole benefit of the Owners until the related Maturity Date therefor.

Except as expressly provided in each Trust Agreement, neither the Certificate Agent nor the Certificate Agent shall have any obligation or liability to the Beneficial Owners of the Certificates with respect to payment of principal of or interest on the Notes or the observance or performance by any Participant of any obligations or agreements or the exercise of any rights under the Resolutions.

The Participants have each covenanted in their respective Participant Resolutions to file notices of certain events listed therein (collectively, the "Listed Events") with either the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA") or as otherwise required by the MSRB or the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the notices of Listed Events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

LIMITATIONS ON REMEDIES

The primary source of repayment of each series of the Certificates is scheduled payments of principal and interest from the Notes. However, pursuant to the Government Code, each Participant's Note is a general obligation of such Participant. Accordingly, a Participant is liable on its Note (even in the event that such Note becomes a Defaulted Note) to the extent of its lawfully available revenues. If such lawfully available revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, such Participant is not obligated to pay such Note or Defaulted Note from any other sources.

No Joint Obligation

The obligation of a Participant to make payments on its Note is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under the related Participant Resolution and its Note.

Limitation on Remedies

The rights of the Owners of the Certificates are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the Participants may become subject to the Federal Bankruptcy Code (defined below) and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Participants, there are no involuntary petitions in bankruptcy. If a Participant were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Certificate Agent and the Participants could be prohibited from taking certain steps to enforce their rights under the Trust Agreement. In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes ("TRANs") was not effective with respect to general revenues accruing to Orange County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANs. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and determined that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition. The parties subsequently negotiated a settlement. No assurance can be made that future allegations would not be raised in another bankruptcy proceeding.

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The following information concerning the Los Angeles County Treasury Pool has been provided by the Treasurer and has not been confirmed or verified by either the Participants or the Underwriters. Moreover, neither the Participants nor the Underwriters make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Treasurer and Tax Collector (the "Treasurer") of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of __________, 2017, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	
Schools and Community Colleges	
Discretionary Participants	
Total	

The Treasury pool participation composition is as follows:

Non-discretionary Participants	
Discretionary Participants	
Independent Public Agencies	
County Bond Proceeds and Repayment Funds	
Total	

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy (the "Investment Policy") developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors (the "Board of Supervisors") on an annual basis. The Investment Policy adopted on March 29, 2016, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal

2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated __________, 2017, the __________, 2017 book value of the Treasury Pool was approximately $__________ billion and the corresponding market value was approximately $__________ billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's Staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of __________, 2017.

Type of Investment	% of Pool
U.S. Government and Agency Obligations	
Certificates of Deposit	
Commercial Paper	
Bankers Acceptances	
Municipal Obligations	
Corporate Notes & Deposit Notes	
Asset Backed Instruments	
Repurchase Agreements	
Other	
Total	

The Treasury Pool is highly liquid. As of __________, 2017, approximately ____% of the investments mature within 60 days, with an average of ___ days to maturity for the entire portfolio.

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

INVESTMENT OF PARTICIPANT FUNDS

Pursuant to the Education Code, all funds which comprise the General Fund of a school district are deposited in the Treasury Pool. The Treasurer allocates such amounts to the credit of the proper fund or account of each school district. The Education Code permits the governing board of any school district which has funds in a special reserve fund of such school district or any surplus moneys not required for the immediate necessities of the school district to invest all or any part of the funds in investments specified in Sections 16430 or 53601 of the Government Code. However, pursuant to the current policies of Treasurer, all school districts are deemed to be involuntary depositors and all funds thereof are deposited in the Treasury Pool.

The Treasurer believes that the Treasury Pool has sufficient liquidity to permit the payment of current expenses and other obligations of school districts in the County, including the Participants. See "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS" herein.

PARTICIPANT FINANCES

General

Appendix A hereto contains a general description of each Participant, its employees, retirement programs and enrollment history and projections. Also set forth are tables for each Participant showing summaries of assessed value, recent audited results, actual and projected cash flow schedules and current budget information. The estimates and timing of receipts and disbursements in such cash flow analyses are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimate of the Participants, based on information available as of the date of the projections. However, due to the uncertainties inherent in the State budgeting process (See "PARTICIPANT FINANCES – State Assistance"), these projections are subject to change and may vary considerably from actual cash flows experienced by the Participants.

The information regarding the Participants has been taken or constructed from the official records of the Participants. Such information has been reviewed by an authorized representative of each Participant acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Payment of State assistance in the amounts anticipated depends on the State's adhering to its current budget, including the appropriations therein provided for local assistance. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98" below. Also, see "– Major Revenues" and "PARTICIPANT FINANCES – State Assistance – 2016-17 State Budget" and "– 2017-18 Proposed State Budget" below for information concerning the Local Control Funding Formula (defined herein) included in the 2016-17 State Budget and 2017-18 Proposed State Budget (defined herein).

Major Revenues

The Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool. See "INVESTMENT OF PARTICIPANT FUNDS" and "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS." The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

K-12 School Districts

The operating income of school districts in California is comprised of two components: a State portion funded from the State's general fund and a local portion derived from the Participants' share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical funding from State and federal government programs.

Local Control Funding Formula. As part of the 2013-14 State budget, State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base grant, supplemental grant and concentration grant funding that focuses resources based on a school's student demographics. Each school district and charter school will receive a per pupil base grant to support the basic costs of instruction and operations. The implementation of the LCFF began in Fiscal Year 2013-14 and is expected to be fully phased in by Fiscal Year 2020-21. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT (defined herein) or categorical block grant add-ons, will yield a district's total LCFF allocation. The State will calculate an annual transition adjustment for each school district, equal to such district's proportionate share of appropriations included in the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts. Most school districts are expected to have the same proportion of their respective funding gaps closed in each year, with funding amount that vary in accordance with the size of each district's funding gap.

The LCFF includes the following components:

- A base grant for each local education agency equivalent to $7,643 per unit of average daily attendance ("ADA"). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K‑3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts with students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site so as to continue receiving its adjustment to the K-3 base grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during Fiscal Year 2012-13.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of an LEA's (defined herein) base grant, based on the number of EL, FRPM, and foster youth served by a local education agency, which provides additional funding for districts with unduplicated counts greater than 55 percent, with an additional 50 percent of the base grant multiplied by the unduplicated count in excess of 55 percent.

- An economic recovery target ("ERT") to ensure that almost every LEA receives at least their pre‑recession funding level, adjusted for inflation, at full implementation of the LCFF. This ERT payment is based on the difference between the amount a school would have received under the old funding system and the amount a district would receive under the LCFF in Fiscal Year 2020–21. To determine this difference, assumptions for the old funding system include: (i) Fiscal Year 2012–13 undeficited revenue limits, or block grant funding for charter schools, with cost-of-living adjustments of 1.57 percent in 2013–14 and 1.94 percent each year from Fiscal Year 2014–15 through Fiscal Year 2020–21; and categorical program funding levels restored to the Fiscal Year 2007–08 level. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

Of the more than $25 billion in funding to be invested through the LCFF through Fiscal Year 2020-21, the vast majority of new funding will be provided for base grants. Specifically, under current law, of every dollar invested through the LCFF, 84 cents is expected to go to base grants, 10 cents is expected to go to supplemental grants, and 6 cents is expected to go to concentration grants. In the State Budget for the Fiscal Year 2013-14, the average base grant was $7,643, which was an increase of $2,375 from the current average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as EL, FRPM, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

California School Districts and Charter Schools
Grade Span Funding at Full LCFF Implementation

Grade Span	Base Grant	K–3 Class Size Reduction and Grades 9-12 Adjustments	Average Assuming 0% Unduplicated FRPM, EL, Foster Youth	Average Assuming 25% Unduplicated FRPM, EL, Foster Youth	Average Assuming 50% Unduplicated FRPM, EL, Foster Youth	Average Assuming 100% Unduplicated FRPM, EL, Foster Youth
K–3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4–6	6,947	N/A	6,947	7,294	7,642	9,899
7–8	7,154	N/A	7,154	7,512	7,869	10,194
9–12	8,289	216	8,505	8,930	9,355	12,119

Source: California Department of Education

Education Funding Prior to 2013-14. Historically, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit per unit of ADA. Such apportionments generally amounted to the difference between a school district's revenue limit and a school district's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts. As described above, with the implementation of the LCFF, commencing in Fiscal Year 2013-14, school districts will receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

Local Control and Accountability Plan ("LCAP"). As part of the LCFF, school districts, county offices of education, and charter schools are required to develop, adopt and annually update a three-year Local Control and Accountability Plan or "LCAP," beginning on July 1, 2014, using a template adopted by the California State Board of Education ("SBE"). The SBE is required to adopt evaluation rubrics to assist school districts and oversight entities in evaluation strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the fiscal year when the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in semi-annual installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee’s fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee’s fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer’s enforcement procedures (*i.e*., seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of the fiscal year and become delinquent, if unpaid, on August 31 (or June 30). A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional

Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIIIB). See "-- State Assistance –2016-17 Budget" and "-2017-18 Proposed Budget" below.

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Since 1989, each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount of Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. From 1992-93 to 2007-08 this statutory split was suspended.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth (ADA) and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue out paces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Assistance

The Participants' principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the Participants believe to be reliable; however, the State has not entered into any contractual commitment with the Participants, the County, the Underwriters, Bond Counsel, Underwriters' Counsel nor the owners of the Certificates**

to provide State budget information to the Participants or the owners of the Certificates. Although they believe the State sources of information listed above are reliable, none of the Participants, the County, Bond Counsel, Disclosure Counsel, Underwriters' Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately 1 percent of California personal income tax filers and went into effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The Legislative Analyst's Office (the "LAO") estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from Fiscal Years 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in Fiscal Years 2011–12, 2017–18, and 2018–19. These additional monies were available to fund programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). Local education agencies, comprised of school districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs began to receive EPA payments quarterly beginning with Fiscal Year 2013-14.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 is allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

For further information on Proposition 30, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 30."

Limitations on School District Reserves. The 2014-15 State Budget included the Education Budget Trailer Bill (SB 858) which amended Education Code section 42127 to provide that, beginning in Fiscal Year 2015-16, if a school district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the following information for review at the annual public hearing on its proposed budget: (i) the minimum recommended reserve adopted by the State Board of Education; (ii) the school district's fund balance in excess of the recommended reserve; and (iii) a statement substantiating the need for the excess reserve level. This information is to be included in the school district's budgetary submission to its county superintendent of schools and was effective commencing the 2015-16 school year.

A second provision of SB 858 adds section 42127.01 to the Education Code that voters approved in November, 2014. This provision provides that in any fiscal year immediately after a fiscal year in which a transfer is made by the State to the "rainy day fund," a school district may not adopt a budget that contains a reserve in excess of twice the applicable minimum reserve amount. A county superintendent may grant a school district an exemption from the limitation on reserves for up to two consecutive fiscal years if the school district provides documentation indicating that "extraordinary fiscal circumstances" substantiate the need for a higher ending balance. Section 42127.01 became operative on December 15, 2014.

In any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for Fiscal Year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's preliminary review of the 2016-17 Budget.

The 2016-17 Budget projects, for Fiscal Year 2015-16, total general fund revenues and transfers of $117 billion and total expenditures of $115.6 billion. The State is projected to end the 2015-16 Fiscal Year with total available reserves of $7.3 billion, including $3.9 billion in the traditional general fund reserve and $3.4 billion in the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). For Fiscal Year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of $120.3 billion and authorizes expenditures of $122.5 billion. The State is projected to end the Fiscal Year 2016-17 with total available reserves of $8.5 billion, including $1.8 billion in the traditional general fund reserve and $6.7 billion in the BSA.

As a result of higher general fund revenue estimates for Fiscal Years 2015-16 and 2016-17, and after accounting for expenditures controlled by constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over $6 billion in discretionary funding for various purposes. These include (i) additional deposits of $2 billion to the BSA (reflected in the discussion above) and $600 million to the State's discretionary budget reserve fund, (ii) approximately $2.9 billion in one-time funding for various purposes including infrastructure, affordable housing and public safety programs, and (iii) $700 million in on-going funding commitments for higher education (California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies $1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year.

With respect to education funding, the 2016-17 Budget revises the Proposition 98 minimum funding guarantees for both Fiscal Years 2014-15 and 2015-16, as a result of increased revenue estimates. The 2016-17 Budget sets the Proposition 98 minimum funding guarantee for Fiscal Year 2016-17 at $71.9 billion, an increase of $2.8 billion over the revised level from the prior fiscal year. With respect to K-12 education, the share of the minimum funding guarantee is $62.5 billion, including $44.5 billion from the State general fund and $18.1 billion from local property tax collections. Significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – $2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. This reflects a 5.7% increase from the prior year, and is estimated to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 54%. As a result, the 2016-17 Budget projects total LCFF implementation to be at 96% during Fiscal Year 2016-17.

- *Discretionary Funding* – $1.3 billion in additional one-time funding that local educational agencies may use for any purpose. Funding will be distributed based on ADA. While funding is intended to reduce the backlog of unpaid reimbursement claims for State-mandated activities, the 2016-17 Budget estimates that most local educational agencies do not have such unpaid claims, and that only $617 million of the total funding will be used for this purpose.

- *Maintenance Factor* – The 2016-17 Budget assumes the creation of a new maintenance factor of $746 million in Fiscal Year 2016-17, created by the difference in growth in per capita State general fund revenues and growth in State per capita personal income.

- *College Readiness* – $200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than $75,000. The 2016-17 Budget also provides $15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.

- *Career Technical Education (CTE)* – The State Budget for Fiscal Year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs, and provided $400 million in Fiscal Year 2015-16 to fund the program. The 2016-17 Budget provides $300 million in second-year funding for this program.

- *Charter Schools* – An increase of $20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.

- *Support Systems* – $20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.

- *Truancy and Dropout Prevention* – Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that a portion of State expenditure savings resulting from these reduced penalties by invested into K-12 truancy and dropout prevention. The 2016-17 Budget estimates approximately $9.9 million in state savings that will be available for this program. The 2016-17 Budget also includes an additional $18 million in one-time funding for the program, resulting in total funding of $27.9 million.

- *Teacher Workforce Initiatives* – The 2016-17 Budget funds several initiatives designed to increase the supply of K-12 teachers, including (i) $20 million to encourage classified employees to complete their education and pursue teaching credentials, (ii) $10 million in non-Proposition 98 funding to expand the number of integrated programs that allow a participant to concurrently earn a bachelor's degree and a teaching credential, and (iii) $5 million to fund teacher recruitment activities.

- *Drinking Water* – $9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2017-18 Budget. On January 10, 2017, the Governor released his proposed State budget for Fiscal Year 2017-18 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget.

Following several years of increases, the Governor reports that the three main sources of State revenues – income, sales and corporation taxes – are showing weakness. Consequently, the Proposed Budget includes a revised revenue forecast that is $5.8 billion lower for the three-year period from Fiscal Years 2015-16 through 2017-18 than was included in the current State budget. The Governor attributes the change in expectations to a pattern of shortfalls in monthly revenue collections and a growth in lower-income workers, which results in decreased revenue due to the State's progressive tax structure. As a result, absent corrective action, the Governor projects that the State would face a general fund deficit of approximately $1.6 billion in Fiscal Year 2017-18, as well as comparable deficits in future years.

To close the projected deficit, the Proposed Budget includes $3.2 billion in remedial budgetary measures, including (i) adjustments designed to lower existing Proposition 98 funding appropriations for Fiscal Years 2015-16 and 2016-17, which are projected to over-appropriate the minimum funding guarantee, (ii) elimination of authority to spend certain one-time funding that currently is uncommitted, and (iii) the imposition of limitations on spending proposals to ensure State spending stays flat in fiscal year 2017-18 as compared to the prior year.

Assuming the implementation of these measures, the Proposed Budget projects, for fiscal year 2016-17, total general fund revenues and transfers of $118.8 billion and total expenditures of $122.8 billion. The State is projected to end the Fiscal Year 2016-17 with total available reserves of $7.7 billion, including $980 million in the traditional general fund reserve and $6.7 billion in the BSA. For fiscal year 2017-18, the Proposed Budget projects total general fund revenues of $124 billion and authorizes expenditures of $122.5 billion. The State is projected to end the Fiscal Year 2017-18 with total available reserves of $8.8 billion, including $980 million in the traditional general fund reserve and $7.9 billion in the BSA.

For Fiscal Year 2016-17, the Proposed Budget revises the minimum funding guarantee at $71.4 billion, reflecting a decrease of $506 million from the level set by the 2016-17 Budget. For Fiscal Year 2017-18, the Proposed Budget sets the minimum funding guarantee at $73.5 billion, reflecting a year-to-year increase of $2.1 billion. Ongoing Proposition 98 per-pupil expenditures in Fiscal Year 2017-18 are set at $10,910, an increase of $331 per-pupil over the revised level for Fiscal Year 2016-17. Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – $744 million in Proposition 98 funding to continue the implementation of the LCFF. This level of funding would support the statutorily required COLA for funding adjusted Base Grants in Fiscal Year 2017-18. The Proposed Budget projects to maintain total LCFF implementation at 96%. The Proposed Budget would also provide $2.4 million in Proposition 98 funding to support a COLA for LCFF funding levels for county offices of education. Finally, the Proposed Budget would also, on a one-time basis, shift $859.1 million in LCFF expenditures from June 2017 to July 2017. The Proposed Budget indicates that this deferral is necessary to maintain Fiscal Year 2016-17 programmatic expenditures in light of the adjustments to Proposition 98 funding discussed above.

- *Discretionary Funding* – An increase of $287 million in one-time funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities. The Proposed Budget would also shift, on a one-time basis, $310 million of previously appropriated discretionary funding from the Fiscal Year 2015-16 to the Fiscal Year 2016-17, as a result of the adjustments to Proposition 98 funding discussed above.

- *Career Technical Education (CTE)* – The State Budget for Fiscal Year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The Proposed Budget would provide $200 million as the final installment of funding for this program.

- *ADA Adjustments* – The Proposed Budget's funding levels reflect the following adjustments (i) an increase of $93 million in Proposition 98 funding to support a projected growth in charter school ADA, (ii) a decrease of $4.9 million in Proposition 98 funding as a result of a projected decrease in special education ADA, and (iii) a total decrease of $232 million for Fiscal Years 2016-17 and 2017-18 as a result of continuing projected declines in ADA for school districts.

- *Local Property Tax Adjustments* – A decrease of $149.2 million in Proposition 98 funding in Fiscal Year 2016-17 for school districts and county office of education as a result of higher offsetting property tax revenues. The Proposed Budget would make a similar decrease of $922.7 million in Fiscal Year 2017-18.

- *Categorical Programs* – An increase of $58.1 million in Proposition 98 funding to support a 1.48% COLA for categorical programs that remain outside of the LCFF.

- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in Fiscal Year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The Proposed Budget allocates $422.9 million of such funds to support school district and charter school energy efficiency projects in Fiscal Year 2017-18.

- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by $2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The Proposed Budget would allocate $29.9 million of Proposition 56 revenues to support these programs.

For additional information regarding the Proposed Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

The Participants cannot predict how State income or State education funding will vary over the term of the Certificates, and the Participants take no responsibility for informing owners of the Certificates 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" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State 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 any of the Participants, and the Participants 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.

[MAY REVISE TO COME]

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. Following the implementation of Proposition 25 (permitting State budget passage with a simple majority and mandating forfeiture of Legislators' daily salaries until the budget bill passes), the Governor signed the 2013-12 Budget on June 30, 2011. While the 2015-16 and 2016-17 Budgets were timely adopted, in the past, budgets have been adopted and signed after this date. Accordingly, the Participants cannot anticipate future delays in State budget adoption or their impact. In any year where the State budget lags adoption of each Participant's budget, it will be necessary for each Participant's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether such Participant's budget will have to be revised. In addition, the Participants cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the Participants' budgets or operations.

Federal Revenues

The federal government provides funding for several programs of the Participants, including programs that benefit educationally disadvantaged students and students with limited English skills, and that provide other specialized services to students and administration. The Participants are unable to predict variations in the amount and types of federal funding for such programs during any fiscal year.

Expenditures

California school and community college districts operate under general purpose revenue limits established by the State Legislature. Funding of the revenue limits is accomplished by a mix of local property taxes and State Aid. Prior to the passage of Article XIIIA of the California Constitution in 1978, local property taxes constituted approximately 63% of revenue limit income. Since then, property taxes received by the Participants are limited to their share of the one percent *ad valorem* property tax collected by the County as described above under the heading "PARTICIPANT FINANCES – *Ad Valorem* Property Taxes." In addition, commencing Fiscal Years 1992-93, community redevelopment agencies have been required to deposit certain amounts into the county-wide Education Revenue Augmentation Fund ("ERAF") for subsequent distribution to schools and community college districts within the County until 2006-07. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A" herein. Such amounts will reduce the amounts otherwise to be appropriated by the State. Annual State appropriations to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance. Such apportionments will, generally speaking, amount to the difference between the Participants' revenue limit and the Participants' local property tax and ERAF allocations. Appendix A hereto sets forth each Participant's average daily attendance figures for Fiscal Years 2010-11 through 2015-16 and estimated information for the Fiscal Year 2016-17. The Participants' major expenditures each year are employee salaries and benefits.

Financial Statements and Accounting Practices

The Participants' financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

Funds and Account Groups used by the Participants are categorized as follows:

<u>Government Funds</u>	<u>Fiduciary Funds</u>
General Funds	Trust and Agency Funds
Special Revenue Funds	
Debt Service Funds	<u>Account Groups</u>
Proprietary Funds	General Fixed Assets Account Group
Internal Service Funds	General Long-Term Debt Account
Enterprise Funds	

Expenditures of Participants are accrued at the end of each Fiscal Year to reflect the receipt of goods and services in that Fiscal year. Generally, revenues are recorded on a cash basis, except for items that are susceptible to accrual, measurable and/or available to finance operations. Current taxes are considered susceptible to accrual. Taxes which are due but are not in fact received until after the Fiscal Year-end are recorded as accrued revenues. The State Department of Education establishes expenditure categories for all California school districts and boards of education.

The general fund of each Participant, as shown in Appendix A, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the Participant not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the Participants using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the Participants and audited by independent certified public accountants each year. Certain information, such as the General Fund Cash Flow Analyses, was developed by each Participant's staff for use in this Official Statement. The estimates and timing of receipts and disbursements in such Cash Flow Analyses are based on certain assumptions and should not be construed as statements of fact. The Participants' audited financial statements for the year ended June 30, 2014, are available from each Participant upon request to the respective Participant at the respective addresses set forth in Appendix A hereto, and are summarized in Appendix A.

Retirement Systems

General. The Participants currently participate in the California State Teachers' Retirement System ("CalSTRS") and California Public Employees' Retirement System ("CalPERS"). Certificated employees are eligible to join CalSTRS, and classified employees are eligible to join CalPERS. Pursuant to federal law, all public sector employees who are not members of their employers existing retirement systems must be covered by Social Security or an alternative plan. The amounts of the Participants' contributions to CalSTRS and CalPERS are subject to, among other things, their respective collective bargaining agreements and changes in State law.

CalPERS and CalSTRS are operated on a statewide basis and, based on available information, both have substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes are required under State law. The amounts of the pension/award benefit obligation with respect to CalPERS or actuarially accrued liability with respect to CalPERS and CalSTRS will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The Participants unable to predict what the amount of these liabilities will be in the future or the amount of the contributions which that a Participant may be required to make to CalPERS and CalSTRS. Accordingly, there can be no assurances that a Participant's required contributions to CalPERS and CalSTRS will not significantly increase in the future in excess of the current rates approved by State law and the respective Participant.

The information set forth below regarding CalSTRS and CalPERS has been obtained from publicly available sources and has not been independently verified by the Participants or the Corporation, not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the Participants or the Corporation. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities ("UAAL") stated below.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated employees and some classified employees, which are employees employed in a position that does not require a teaching credential from the State. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "CalSTRS Defined Benefit Program"). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

For many years prior to Fiscal Year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer rate nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In 2014, to address a then-projected depletion of CalSTRS Defined Benefit Program assets, the Legislature enacted AB 1469 (Chapter 47, Statutes of 2014) ("AB 1469"), a comprehensive funding solution intended to eliminate the projected CalSTRS unfunded liability on the STRS Defined Benefit Program by 2046. Under AB 1469, the funding plan began in Fiscal Year 2014-15 and will be phased in over several years. The employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase until the employer contribution rate is 19.10% of covered payroll. Beginning in Fiscal Year 2021-22 through Fiscal Year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the employer contribution up or down 1% age point each year, but no higher than 20.25% total and no lower than 8.25%, to eliminate the remaining unfunded obligation that existed on July 1, 2014. The employer contribution rate for Fiscal Year 2015-16 was 10.73% of covered payroll. The employer contribution rate for Fiscal Year 2016-17 is 12.58% of covered payroll. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (*i.e.*, CalSTRS 2% at 60 members) is 9.20% for Fiscal Year 2015-16 and 10.25% for Fiscal Year 2016-17. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (*i.e.*, CalSTRS 2% at 62 members) is 8.56% for Fiscal Year 2015-16 and 9.205% for Fiscal Year 2016-17. In addition, the CalSTRS Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations.

Based upon the recommendation from its actuary, for Fiscal Year 2021-22 and each fiscal year thereafter the CalSTRS Teachers' Retirement Board (the "CalSTRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining unfunded obligation that existed on July 1, 2014 by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the CalSTRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the CalSTRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the unfunded obligation that existed on July 1, 2014.

The State also contributes to CalSTRS, currently in an amount equal to 6.328% of teacher payroll for Fiscal Year 2016-17. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for Fiscal Year 2017-18 and each fiscal year thereafter, the CalSTRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. For the first time, in Fiscal Year 2017-18, the State contribution will increase 0.5% of covered payroll (the maximum rate increase allowed per year under current law) to 6.828%.

The CalSTRS Defined Benefit Program is the largest component of State Teachers' Retirement Plan ("STRP"). The 2016 CalSTRS Actuarial Valuation is the most recent actuarial valuation for the CalSTRS plan. The 2016 CalSTRS Actuarial Valuation states that, as of June 30, 2016, the future revenues from contributions and appropriations for the CalSTRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation (the "UAO") attributable to the new benefits and post-2014 service (the "New Benefits) described below, which is not actuarially funded. A level contribution rate of 38.140% beginning on the valuation date is projected to be needed to amortize the unfunded actuarial obligation by June 30, 2046. This is compared to the current projected revenue equivalent to 34.467% of payroll. The revenue calculation assumes no changes in the contribution rates specified in the Education Code once contribution rates grade to the ultimate rates, although State and employer contribution rates will increase or decrease depending primarily on the relevant funded status.

The actuarial assumptions and methods adopted by the CalSTRS Board for funding the CalSTRS Defined Benefit Program include: the "Entry Age Normal Cost Method", with the actuarial gains/losses and the unfunded actuarial obligation amortized over a closed period ending June 30, 2046, an assumed 7.25% investment rate of return (net of investment and administrative expenses) for Fiscal Year 2015-16 and a 7.00% investment rate of return (net of investment and administrative expenses) for Fiscal Year 2016-17, an assumed 3.00% interest on member accounts (based on the CalSTRS Board's short-term interest crediting policy), projected 3.50% general wage growth, of which 2.75% is due to inflation and 0.75% is due to expected gains in productivity, and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2016 CalSTRS Actuarial Valuation were based on the Experience Analysis July 1, 2010 – June 30, 2015 adopted by the Teachers' Retirement Board in February 2017. CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The calculations underlying the 2016 CalSTRS Actuarial Valuation employ an asset smoothing method to lessen the impact of short-term fluctuations in the value of assets. The method utilized to value program assets for actuarial valuation purposes is the expected actuarial value of assets adjusted for one-third of the difference between the expected actuarial value and the actual market value to arrive at the actuarial value of assets. Due to the asset smoothing method, there are investment losses of $4,858 million that have not yet been recognized (the difference between the actuarial and fair market value of assets). Absent investment returns in future years less than the assumed rate to offset the deferred investment losses, the current deferred losses will gradually be reflected in the actuarial value of assets. If the future returns on the Fair Market Value of Assets are 7.25% each year, then as the current deferred losses flow through the smoothing method and are recognized, future valuations will show an actuarial loss. The result will be a gradual decrease in the CalSTRS Defined Benefit Program's funded status, ultimately decreasing the UAO by the $4,858 million of currently deferred investment losses.

The funding legislation included actuarial funding (within certain constraints) for most of the benefits provided by CalSTRS. The one exception is that there is no provision for the state, employers, or members to fund any UAO arising for New Benefits (*i.e.*, those not included in the 1990 Benefit Structure) attributable to service after June 30, 2014, which is also referred to by the CalSTRS actuary as the "Orphan

UAO". Under the valuation policy, a portion of each year's total contributions, equal to the normal cost of the New Benefits, is allocated to fund these benefits. Because there is no contribution in excess of the Normal Cost Rate, the Orphan UAO will go up or go down based on future experience.

The Orphan UAO (based on assets at market value) has evolved over time increased from $0 as of June 30, 2014, to $213 million as of June 30, 2015, to $639 million as of June 30, 2016. The two primary causes for the increase are investment returns that are less than assumed since 2014 and the actuarial assumptions adopted based on the recent experience analysis which both increased the UAO. As members continue to accrue benefits for service after June 30, 2014, there is the potential for the Orphan UAO to increase significantly if actual experience differs materially from that assumed or if further changes in assumptions occur.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS (the "CalPERS Board").

The benefits for the CalPERS pension plans are funded by contributions from members and employers, and earnings from investment. Member and employer contributions are a percentage of applicable member compensation. Member and employer contributions are a percentage of applicable compensation. Member contributions rates are established pursuant to the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. In certain circumstances, a portion of member contributions are paid for by the employer.. Employer paid member contributions are reported as member contributions. Employer contribution rates are determined by periodic actuarial valuations or by statue. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions are credited with a market value adjustment in determining contribution rates. For Fiscal Year 2017-18, active plan miscellaneous members hired on or before December 31, 2012 will be required to contribute 7.0% of their monthly salary and those hired on or after January 1, 2013 are required to contribute 6.5% of their monthly salary. The required contribution rate is the different between the actuarially determined rate and the contribution rate of employees. The actuarial methods and assumptions used for determining the rates are based on those adopted by CalPERS Board. The required employer contribution rate for miscellaneous members for Fiscal Year 2016-17 was 13.888%. The required rate for Fiscal Year 2017-18 is 15.531%, consisting of 8.103% for the employer normal cost and 7.428% for the unfunded rate

The actuarially determined contribution rates are calculated by the CalPERS actuary based on assumptions and policies adopted by the CalPERS Board. On April 17, 2013, the CalPERS Board approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in Fiscal Year 2015-16.

In February, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the CalPERS Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for Fiscal Year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

In November 2015, the CalPERS Board adopted a funding risk mitigation policy that incrementally lowers the discount rate in years of good investment returns to help pay down the pension fund's unfunded liability and provide greater predictability and less volatility in contribution rates for employers. Under the policy adopted by the CalPERS Board, a mechanism will be established to reduce the assumed rate of return by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5 percent, by at least four percentage points. The four percentage point threshold is expected to offset increases to employer contribution rates that would otherwise increase when the discount rate is lowered, and help pay down PERS' unfunded liability.

Pursuant to the CalPERS Annual Review of Funding Levels and Risks, dated September 20, 2016, employers are exposed to a considerable amount of contribution rate volatility and a risk of significant changes in funded status. In addition, CalPERS expects contribution rates to remain high for an extended period unless there is a period of exceptional returns in the market. In connection with such projected risks, the CalPERS Board adopted in November 2015 a funding risk mitigation policy that will result in a gradual shifting of CalPERS' asset allocation to lower investment risk, which is expected to result in lower future expected returns and a lower actuarial discount rate. On December 21, 2016, the CalPERS Board voted to lower the CalPERS discount rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in Fiscal Year 2017-18, 7.25% in Fiscal Year 2018-19 and 7.00% in Fiscal Year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the CalPERS discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under PERPA will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

The 2015 CalPERS Schools Pool Plan Valuation, the most recent actuarial valuation for the PERS Schools Pool Plan indicates that, from June 30, 2014 to June 30, 2015 the funded status (being the ratio of plan assets to the plan's accrued liabilities) for the CalPERS Schools Pool Plan decreased by 9.1% from 86.6% to 77.5%. This change is mainly attributed to the increase in liability due to the change in assumptions described above and the investment return for Fiscal Year 2014-15 being less than the assumed rate of return. According to the 2015 CalPERS Schools Pool Plan Valuation, assuming a 0% investment return for Fiscal Year 2015-16 and assuming that all other actuarial assumptions will be realized and no changes to benefits will occur between now and the June 30, 2016, the estimated Fiscal Year 2017-18 employer rate for the CalPERS Schools Pool Plan will be 15.8%. The 2015 CalPERS Schools Pool Plan Valuation projects that future employer contribution rates will be 15.8%, 17.7%, 19.7%, 21.1% and 21.5% for Fiscal Years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22, respectively. The projections are based on, among other things, a discount rate of 0% for Fiscal Year 2015-16 and 7.5% every fiscal year thereafter (net of administrative expenses), salary growth ranges from 3.10% to 9.0% depending on the member's entry age and duration of service, overall payroll growth of 3% compounded annually (used in projecting the payroll over which the unfunded liability is amortized), and an inflation rate of 2.75% compounded annually.

Although the full actuarial report for Fiscal Year 2015-16 is not expected to be completed until later this year, the CalPERS Board has approved school employer contribution rates and certain member contribution rates based on the results of its June 30, 2016 valuation. According to the April 18, 2017 agenda for the CalPERS Finance and Administration Committee, such valuation reflects a market value of assets of $55,784,854,423, an accrued liability of $77,543,827,270, unfunded accrued liabilities of $21,758,972,847 and a funded status of 71.9%. Based in part on the foregoing results and the lowering of the discount rate assumption previously adopted by the CalPERS Board, the projected schools' employer contribution rates are expected to be 18.1%, 20.8%, 23.8%, 25.2%, 26.1%, 26.8% and 27.3% of covered payroll for the seven fiscal years beginning Fiscal Year 2018-19, respectively.

California Public Employees' Pension Reform Act of 2013. In September 2012, the Governor approved Assembly Bill 340, the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). Among other things, PEPRA establishes new retirement formulas for employees hired on or after January 1, 2013 ("PEPRA Employees") and prohibits public employers from offering defined benefit pension plans to PEPRA Employees that exceed the benefits provided thereunder. PEPRA increases the retirement age for new State, school, city and local agency employees depending on job function and limits the annual CalPERS and CalSTRS pension benefit payouts. PEPRA applies to all public employers except the University of California, charter cities and charter counties. However, PEPRA is applicable to those entities which contract with CalPERS.

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employees pay at least 50% of normal costs and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local safety members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements will go into effect on January 1, 2018 unless the employer and the affected bargaining unit have reached an agreement in accordance with PEPRA.

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which revises and establishes new financial reporting requirements for most public employers that provide their employees with pension benefits and cost-sharing, multiple-employer plans, including CalSTRS and CalPERS. GASB 68, among other things, requires public employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including through guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 became effective for the financial statements of plan employers commencing in Fiscal Year 2014-15.

Pursuant to GASB 68, CalSTRS and CalPERS will use a new blended rate that reflects a long-term rate of return on plan assets, which reflects a pension fund's long-term investment strategy, and a high-quality, non-taxable municipal bond index rate, to account for the potential need to borrow funds to pay pension benefits after net assets have been fully depleted. CalSTRS has cautioned that use of the new, blended discount rate may cause the financial statements of plans, such as CalSTRS, to reflect an increased unfunded liability.

Pursuant to GASB, Statement No. 67 ("GASB 67") and GASB 68, the funded status and unfunded actuarial accrued liability (the "UAAL") of the Benefit Plan are no longer presented in the notes or required supplementary information. UAAL was determined by subtracting the excess of the actuarial accrued liability (discounted at the pension plan's assumed rate of return) from the actuarial value of assets (determined by smoothing values over a certain number of years to reduce volatility), and represented the costs allocated to date for current CalSTRS members that are not covered by the actuarial value of assets. Pursuant to GASB 67, the UAAL has been replaced by the net pension liability ("NPL") for financial reporting purposes, which represents the excess of the total pension liability (using an entry age cost method, discounted at a discount rate that reflects the expected return on plan assets) over fiduciary net position (valued at fair value).

CalSTRS became subject GASB 67 beginning with the year ended June 30, 2014, and CalSTRS' participating employers became subject to the provisions of GASB 68 beginning with the year ended June 30, 2015. Pursuant to GASB 67, CalSTRS' actuary determined that CalSTRS' net pension position for STRP, which includes the CalSTRS Defined Benefit Program (being the largest portion of STRP), the Defined Benefit Supplement Program, the Cash Balance Benefit Program and the Replacement Benefit Program, decreased from $191.8 billion as of June 30, 2015 to $189.1 billion as of June 30, 2016. Based on a total pension liability of $270.0 billion, the NPL of the STRP for participating employers and the State (a non-employer contributing entity) as of June 30, 2016 was $80.9 billion (compared to $67.3 billion as of June 30, 2015), resulting in the STRP fiduciary net position as a percentage of the total pension liability of 70% (compared to 74% as of June 30, 2015). The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The CalSTRS' comprehensive annual financial report as of June 30, 2016 states that the increase is due to an increase in CalSTRS estimated proportionate share of the NPL for the State as a result of an increase in CalSTRS payroll costs and lower investment returns for the Fiscal Year 2015-16. Compared to Fiscal Year 2014-15, total contributions for Fiscal Year 2015-16 increased by $1.7 billion (25.3 percent) as a result of increases in member contributions by $447.8 million (17.8 percent), employer contributions increased by $713.3 million (26.6 percent), and state contributions increased by $514.1 million (36.1 percent). The increases are due to increases in both creditable compensation and contribution rates implemented through AB 1469.

CalPERS became subject to the provisions of GASB 67 beginning with the year ended June 30, 2014, and CalPERS' participating employers became subject to the provisions of GASB 68 beginning with the year ended June 30, 2015. The GASB 68 Accounting Valuation Report for the CalPERS Schools Pool Plan for the measurement period June 30, 2015 to June 30, 2016 (the "2016 GASB 68 Accounting Valuation Report") reflects a total pension liability of $75.7 billion (compared to $71.7 billion as of June 30, 2015), a fiduciary net position of $55.9 billion (compared to $56.9 billion as of June 30, 2015), a net pension liability of $19.8 billion (compared to $14.7 billion as of June 30, 2015) and a plan fiduciary net position as a percentage of total pension liability of 73.9% (compared to 79.4% as of June 30, 2015). The total pension liabilities were determined by actuarial valuations as of June 30, 2015, which were rolled forward to June 30, 2016, using existing actuarial assumptions, including an entry age normal actuarial cost method, a discount rate of 7.65%, a 2.75% inflation rate and contract cost of living adjustments up to 2.75% until the purchasing power protection allowance (a benefit designed to restore the original purchasing power of CalPERS retirees to a predetermined limit) applies and 2.75% thereafter.

Reports and Certifications

General. The Education Code of the State of California (Section 42133 *et seq.*) requires each school district to certify twice during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, and, based on current forecasts, for the subsequent fiscal year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Education and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the Los

Angeles County Superintendent of Schools ("County Superintendent") within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. A qualified certification is to be assigned to any school district that based upon then current projections may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the fiscal year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

In connection with each interim report, each school district submits a multi-year projection for the current fiscal year and the following two fiscal years to its respective county office of education and the SDE. The projections are based upon guidelines established by their respective county offices of education and information available to such school district as of the date the projection is submitted.

A qualified certification is to be assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years based upon then current projections. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the current fiscal year or the following fiscal year. Any school district or office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district unless the County Superintendent determines that the school district's repayment of indebtedness is probable.

Copies of the reports and certifications of the Participants may be obtained upon request from such Participants at the addresses set forth in Appendix A hereto. The Participants may impose charges for copying, mailing and handling these reports and certifications.

[Fiscal Year 2016-17 Second Interim Reports Certifications. None of the Participants received a qualified or negative certification with respect to their Fiscal Year 2016-17 Second Interim Reports.]

Budgets of Participants

The fiscal year of the Participants begins on the first day of July of each year and ends on the 30th day of June of the following year. The Participants adopt on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The Participants are required by provisions of the California Education Code (the "Education Code") to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State, and the Board of Governors of the California Community Colleges imposes a uniform budgeting format for each community college district in the State.

State Emergency Loan Program

The Education Code provides that a governing board of any county board of education, or school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent").

As a condition to the making of any such emergency apportionment, the following requirements must be met:

(a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district a report issued by an independent auditor approved by the county superintendent of schools on the financial conditions and budgetary controls of the district, a written management review conducted by a qualified management consultant approved by the county superintendent of schools and a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The county superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the county superintendent.

(c) Upon his or her approval of the district plan, the county superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the county superintendent and must certify to the Director of Finance that the action taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the county superintendent of schools, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the county superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

(i) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.

(ii) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment is repaid, the governing board of the district shall prepare under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the county superintendent of schools, the State Superintendent and the State Controller. The report shall include all of the following information: (i) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (ii) a copy of the adopted budget for the current fiscal year; (iii) reserves for economic uncertainties; (iv) status of employee contracts; and (v) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The State Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment be made unless funds have been specifically appropriated therefor by the Legislature.

None of the Participants is currently participating in the State emergency loan program.

State Lottery

The State Lottery generates net revenues (gross revenue less prizes and administration expenses) which are used to supplement State assistance provided to public education, including K-14. State Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery revenues are allocated by computing an amount per total ADA or FTES, *i.e.*, by dividing the total net revenues figures by the total ADA for grades K-12 and CCCs, and by the total FTES for each University of California system and California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTES figure; however, the exact allocation formula may vary from year to year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Insurance

Each Participant maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation, as are adequate, customary and comparable with such insurance maintained by similarly situated educational agencies. In addition, based upon prior claims experience, each Participant believes that the recorded liabilities for self-insured claims are adequate.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any ad valorem tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on 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. Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote (see the sub-caption "--Proposition 39" below). Article XIIIA 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." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA 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.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent 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 two percent 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.

All taxable property is shown at full market value on the tax rolls, with tax rates 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 XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government 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 XIIIB does not affect the appropriations 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 XIIIB, 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.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) now Section 100 of the California Revenue and Taxation Code provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the Participants, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property, such that property taxes could exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

Proposition 46

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

Proposition 218

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

The Participants have no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 2/3 of such Participant's voters. Under previous law, the Participants could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the Participants to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the Participants will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

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

Proposition 218 has no effect upon the Participants' ability to pursue voter approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. Proposition 218, by its terms, is inapplicable to short-term notes such as the Notes. The Participants are unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 30

The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately 1 percent of California personal income tax filers and went into effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from Fiscal Years 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in Fiscal Years 2011–12, 2017–18, and 2018–19. These additional monies were available to fund programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Revenues generated by Proposition 30 accounted for an increase of approximately 14 percent over Fiscal Year 2011–12 in funding for schools and community colleges as set forth in the 2012–13 State Budget. Almost all of this increase were used to pay K–14 expenses from the previous year and reduced delays in certain State K–14 payments. Proposition 30 also provides for additional tax revenues aimed at balancing the State's budget through Fiscal Year 2018–19, providing several billion dollars annually through Fiscal Year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers could impact potential State revenue and complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could also create additional budget pressure in subsequent years.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). School districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs receive EPA payments quarterly, which began with the 2013-14 Fiscal Year. LEAs received their 2012-13 Fiscal Year EPA entitlement in one lump sum payment at the end of June 2013. Beginning Fiscal Year 2013-14, the California Department of Education will allocate EPA revenues on a quarterly basis through the Fiscal Year 2018-19. Payments will equal 25 percent of the annual EPA entitlement and future payments may be adjusted for ADA changes and previous over and under payments of EPA funds.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 is allocated

89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

Proposition 2

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

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

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

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

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

Proposition 22

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual State budget process.

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 1A, 2, 22, 30, 39, 46, 51, 55, 98, 111 and 218 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 Participants' revenues or their ability to expend revenues.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Participants, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes designated as and comprising interest with respect to the Certificates is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes designated as and comprising interest with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by each Participant and others in connection with the Notes, and Bond Counsel has assumed compliance by each Participant with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes designated as and comprising interest with respect to the Certificates from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Participants, under existing statutes, interest on the Notes designated as and comprising interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes or the Certificates. Bond Counsel renders its opinion under existing statutes and court decisions as of the date of execution and delivery, and assumes no obligation to update, revise or supplement its opinion after the date of execution and delivery to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes designated as and comprising interest with respect to the Certificates, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Notes and execution and delivery of the Certificates in order that interest on the Notes designated as and comprising interest with respect to the Certificates be and remain excluded from gross income under

Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes and Certificates, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes and the Certificates to become included in gross income for Federal income tax purposes retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is discovered. Each of the Participants has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes which is designated as and comprises interest with respect to the Certificates from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Certificates. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Certificate. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Certificates.

Prospective owners of the Certificates should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes designated as and comprising interest with respect to the Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Certificate for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable with respect to the Certificate after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” with respect to that Certificate (a “Premium Certificate”). In general, under Section 171 of the Code, an owner of a Premium Certificate must amortize the bond premium over the remaining term of the Premium Certificate, based on the owner’s yield over the remaining term of the Premium Certificate, determined based on constant yield principles (in certain cases involving a Premium Certificate callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Certificate). An owner of a Premium Certificate must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Certificate, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Certificate may realize a taxable gain upon disposition of the Premium Certificate even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Certificates should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Certificates.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Certificates. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Certificate through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest with respect to the Certificates from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes designated as and comprising interest with respect to the Certificates under Federal or state law or otherwise prevent beneficial owners of the Notes designated as and comprising interest with respect to the Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Certificates. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond.

Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

Continuing Disclosure. Each Participant has covenanted in its respective Participant Resolution to file with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system notices of the following events for so long as the Certificates are outstanding: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) modifications to rights of Holders, if material; (iv) bond calls, if material and tender offers; (v) defeasances; (vi) rating changes; (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (viii) unscheduled draws on the debt service reserves reflecting financial difficulties; (ix) unscheduled draws on the credit enhancements reflecting financial difficulties; (x) release, substitution or sale of property securing repayment of the Certificates, if material; (xi) bankruptcy, insolvency, receivership or similar event of such Participant (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for such Participant in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of such Participant, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such Participant; (xii) substitution of credit or liquidity providers, or their failure to perform; (xiii) the consummation of a merger, consolidation, or acquisition involving such Participant or the sale of all or substantially all of the assets of such Participant, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional Certificate Agent or the change of name of a Certificate Agent, if material. There are currently no debt service reserves or liquidity providers in place with respect to the payment of principal and interest with respect to the Certificates, and the Certificates are not subject to prepayment prior to their Maturity Dates in accordance with their terms. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Each Participant's continuing disclosure obligations under its respective Participant Resolution shall terminate upon payment in full of its respective Note**.** If such termination occurs or is deemed to occur prior to the final maturity of the Certificates, the Participant shall give notice of such termination in the same manner as for a Notice Event.

[TO BE UPDATED]

Other Reports. Each Participant regularly prepares a variety of reports, including audits, budgets and related documents. Any owner of a Certificate may obtain a copy of any such report, as available, from any such Participant at its respective address designated in Appendix A hereto. Additional information regarding this Official Statement may be obtained by contacting: the Los Angeles County Office of Education, 9300 Imperial Highway, Downey, California 90242-2890; Attention, Assistant Director.

LITIGATION

No Litigation. There is no litigation now pending or threatened (i) to restrain or enjoin the issuance or sale of the Notes or the execution and delivery of the Certificates; (ii) questioning or affecting the validity of the Notes, the Certificates or the Resolutions; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes or the Certificates.

There are a number of lawsuits and claims pending against certain of the Participants. The aggregate amount of uninsured liabilities of the Participants which may result from such suits and claims, as determined by the Participants, will not, in the opinion of each Participant (as to its own uninsured liabilities only), materially affect the Participants' finances or impair their ability to pay amounts sufficient to pay principal of and interest on the Notes as evidenced and represented by the Certificates.

RATINGS

The Series A-1 Certificates, the Series A-2 Certificates and the Series A-3 Certificates have been assigned the rating of "___" by S&P Global Ratings ("S&P"). The ratings reflect only the views of S&P, and the Participants make no representation as to the appropriateness of the ratings. An explanation of the significance of such rating may be obtained at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. Further, there is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely if, in the sole judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Certificates.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Certificates and the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, the proposed form of which is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

UNDERWRITING

The Certificates are being purchased by the Underwriters. Pursuant to the Purchase Contract, dated July __, 2016, by and between the Treasurer and RBC Capital Markets, LLC, as representative of the Underwriters (the "Contract of Purchase"), the Underwriters have agreed to purchase the Certificates at a price of $__________ which represents the aggregate principal amount of the Notes evidenced and represented by the Certificates in the amount of $__________, plus a premium in the amount of $__________ and less an Underwriters' discount of $__________). The Purchase Contract provides that the Underwriters will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by Underwriters' Counsel and certain other conditions.

The Underwriters may offer and sell the Certificates to certain dealers and others at a price lower than the initial public offering price. The offering price may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of either the County or the Participants. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the either the County or the Participants.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Participants and the purchasers or owners of any of the Certificates. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the County nor the Participants have entered into any contractual arrangement to provide information on a continuing basis to investors or any other party. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Participants since the date hereof. The delivery of this Official Statement has been duly authorized by the Participants.