PRELIMINARY OFFICIAL STATEMENT DATED _________, 2012

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: Moody's: "__"**
(See "MISCELLANEOUS – Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012A and Series 2012B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2012A and 2012 B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, Bond Counsel observes that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Interest on the Series 2012C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$__________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012A)

$__________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012B)
(Capital Appreciation Bonds)

$___________*
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Taxable General Obligation Bonds
(Election of 2006, Series 2012C)
(Qualified School Construction Bonds)

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

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

The Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2012A) (the "Series 2012A Bonds"), Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2012B) (Capital Appreciation Bonds) (the "Series 2012B Bonds"), and Oakland Unified School District Taxable General Obligation Bonds (Election of 2006, Series 2012C) (the "Series 2012C Bonds," and together with the Series 2012A Bonds and the 2012B Bonds, the "Bonds") are issued on behalf of the Oakland Unified School District (the "District") (i) to finance specific construction and modernization projects approved by the voters and (ii) to pay costs of issuance of the Bonds. The Board of Supervisors of Alameda County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" and "SPECIAL INVESTOR CONSIDERATIONS" herein.

The Series 2012C Bonds will be issued as bonds designated as "Qualified School Construction Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS – Series 2012C Bonds Tax Matters." The District expects to receive a cash subsidy payment from the United States Treasury equal to the lesser of the interest payable on the Series 2012C Bonds or the federal tax credit rate applicable to the Series 2012C Bonds as published by the U.S. Treasury on the day of pricing. See "THE BONDS – Designation of Series 2012C Bonds as Qualified School Construction Bonds."

Interest on the Bonds is payable on August 1, 2012, and thereafter on each February 1 and August 1 to maturity. Interest on the Capital Appreciation Bonds will be compounded on February 1 and August 1 of each year, and Principal of the Bonds is payable on August 1 in each of the years and in the amounts set forth below. Payments of principal of and interest on the Bonds will be made by the Paying Agent, initially U.S. Bank National Association, to The Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Payment of Principal and Interest" herein.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interests in the Bonds. See "THE BONDS – Form and Registration" herein.

The Bonds are subject to redemption prior to maturity. See "THE BONDS - Redemption" herein.

The Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of such banks, are prudent for the investment of funds of depositors, and are eligible securities for deposits of public money in California. See "OTHER LEGAL MATTERS – Legality for Investment in the State of California" herein.

The Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriters by Nixon Peabody, LLP San Francisco, California. KNN Public Finance, Oakland, California, serves as Financial Advisor to the District, in connection with the issuance of the Bonds. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York on or about ____ __, 2012

PIPER JAFFRAY & CO. ***SIEBERT BRANDFORD SHANK & CO., L.L.C.***

Dated: ______, 2012

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* Preliminary, subject to change.

MATURITY SCHEDULE

$__________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012A)

$______ Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (672325)

$______ ___% Term Bond Maturing August 1, 20__, Price ___% CUSIP 672325 ___

$__________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012B)
(Capital Appreciation Bonds)

$______ Serial Bonds

Maturity Date (August 1)	Initial Denomination	Accretion Rate	Yield	Maturity Value	CUSIP[1] (672325)

$______ Initial Denomination Amount ____ % Term Bond Maturing August 1, 20__, Accretion Rate: ___ Yield: _____ CUSIP 672325 ___

$___________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Taxable General Obligation Bonds
(Election of 2006, Series 2012C)
(Qualified School Construction Bonds)

Federal Subsidy Rate:

$________ ___% Term Bond Maturing August 1, 20__, Price ____% CUSIP 672325 __

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

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. 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 future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the foregoing and the other cautionary statements set forth in this Official Statement.

The Bonds are exempted from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

The Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.

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

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

County of Alameda, California

Board of Supervisors

Nate Miley – President (District 4)
Keith Carson – Vice President (District 5)
Nadia Lockyer - (District 2)
Scott Haggerty (District 1)
Wilma Chan (District 3)

Administration

Donald R. White
Treasurer-Tax Collector

Patrick O'Connell
Auditor-Controller

Oakland Unified School District

Board of Education

Jody London
President, District 1

Jumoke Hinton Hodge
Vice President, District 3

Gary Yee
Member, District 4

Noel Gallo
Member, District 5

David Kakishiba
Member, District 2

Christopher Dobbins
Member, District 6

Alice Spearman
Member, District 7

Administration

Anthony Smith, Ph.D.
Superintendent

Vernon Hal
Deputy Superintendent
Business and Operations

Jacqueline Minor
General Counsel

Timothy White
Associate Superintendent,
Facilities Planning & Management

Bond Counsel
and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Financial Advisor

KNN Public Finance
a division of Zions First National Bank
Oakland, California

Disclosure Dissemination Agent

Digital Assurance Certification, L.L.C.
Winter Park, Florida

Paying Agent

U.S. Bank National Association
San Francisco, California

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$_________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012A)

$_________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
(Election of 2006, Series 2012B)
(Capital Appreciation Bonds)

$__________
OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Taxable General Obligation Bonds
(Election of 2006, Series 2012C)
(Qualified School Construction Bonds)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $_________ aggregate principal amount of Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2012A) (the "Series 2012A Bonds"), $______ Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2012B) (Capital Appreciation Bonds) (the "Series 2012B Bonds"), and $_________ aggregate principal amount of Oakland Unified School District Taxable General Obligation Bonds, Election of 2006, Series 2012C (Qualified School Construction Bonds) (the "Series 2012C Bonds," and together with the Series 2012A Bonds and the Series 2012 B Bonds, the "Bonds"), as described more fully herein.

The Series 2012C Bonds will be issued as bonds designated as "Qualified School Construction Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), the interest on which is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS – Series 2012C Bonds." The District expects to receive a cash subsidy payment from the United States Treasury equal to the lesser of the interest payable on the Series 2012C Bonds or the federal tax credit rate applicable to the Series 2012C Bonds as published by the U.S. Treasury on the day of pricing . See "THE BONDS – Designation of Series 2012C Bonds as Qualified School Construction Bonds."

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

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance and payment of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Bonds are available from the District through the Office of the Chief Financial Officer, 1025 Second Avenue, Oakland, CA 94606. The District may impose a charge for copying, mailing and handling.

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

The District

The District is located in and is approximately coterminous with the City of Oakland, California (the "City"), located on the east side of San Francisco Bay, approximately 10 miles from San Francisco. The District's boundaries also include small portions of the neighboring cities of Emeryville and Alameda. The District encompasses approximately 53.2 square miles, including a diverse economy of industry, services, health care, retail, and other commercial activity. The District was unified in 1952, combining then-existing high school and elementary school districts.

During the 2011-2012 school year, the District will operate 62 elementary schools, 17 middle schools, 12 comprehensive senior high schools, one alternative middle school, six alternative high schools, one continuation school serving grades 9-12, one alternative high school independent study program, one community day school, and one special education school. At the beginning of the 2011-12 school year, 32 charter schools operated within the District. Including the students in the charters, approximately 36,000 students are served in grades Kindergarten through 12. As of the commencement of the 2011-12 school year, the District employed approximately 5,000 employees, including certificated (credentialed teaching), classified (non-teaching) and management. The District has adopted a Fiscal Year 2011-12 general fund budget reflecting expenditures of approximately $389 million. Total assessed valuation of taxable property in the District in Fiscal Year 2011-12 is approximately $38.5 billion. The District operates under the jurisdiction of the Alameda County Superintendent of Schools.

The District is governed by a Board of Education consisting of seven members. The members are elected to four-year terms in staggered years. Since July 1, 2009, Anthony Smith, Ph.D., has served as Superintendent of the District. The Superintendent acts as chief executive officer of the District. Dr. Smith previously served as a deputy superintendent in the San Francisco Unified School District as head of its instruction, innovation and social justice programs since 2007. Prior to working at San Francisco Unified School District, he served as superintendent in Emery Unified School District, in Emeryville California, from 2004 to 2007.

From May 30, 2003 to June 29, 2009, all or a portion of the functional areas of the District's operations were governed by a State Administrator (the "State Administrator") appointed by the State Superintendent of Public Instruction (the "State Superintendent") pursuant to special state legislation ("S.B. 39") enacted in response to the District's request for emergency financial assistance from the State during the 2002-03 fiscal year. On June 30, 2009, the District Board of Education regained full control of all functional areas of District governance. However, as long as the emergency loan made by the State to the District in response to the District's request for emergency financial assistance remains outstanding, a trustee appointed by the State Superintendent (the "State Trustee") will monitor and review the operation of the District, with the power to stay or rescind any action of the Board of Education that may affect the financial condition of the District. For discussion of the recent history of the District's finances and governance, and the powers of the State Trustee, see "SPECIAL INVESTOR CONSIDERATIONS" and APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – School District Governance, State Administration and Restoration of Local Control" and "– Financial History of the District" herein.

For additional information about the District's operations and finances, see APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State, Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and other applicable provisions of law. Additional authority for the issuance of the Series 2012C Bonds arises under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of Alameda County on December 6, 2011 (the "Resolution"), at the request of the District by its resolution adopted on Wednesday, November 16 (the "District Resolution"). The Bonds are issued pursuant to the specific provisions of a Paying Agent Agreement, dated as of **____ __**, 2012 (the "Paying Agent Agreement"), by and among the District, the County and U.S. Bank National Association, as paying agent for the Bonds (the "Paying Agent").

The District received authorization (the "Authorization") at an election held on June 6, 2006, by more than 55% of the votes cast by eligible voters within the District, to issue bonds of the District pursuant to a ballot measure summarized as follows:

> "To repair and modernize elementary, middle and high schools and pre-schools, including renovating classrooms, restrooms and other facilities to meet current safety standards, and repairing electrical, plumbing and other building systems; and to build libraries, classrooms, and science and computer labs, shall Oakland Unified School District issue $435 million in bonds at interest rates within the legal limit and establish a Citizens' Oversight Committee to monitor expenditures, with no money for administrator salaries?"

On November 28, 2006, a series of said bonds designated "Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2006)" (the "Series 2006 Bonds") in the aggregate principal amount of $130,000,000 was issued by the District. On August 12, 2009, the District issued three series of bonds: $87,885,000 of its Oakland Unified School District General Obligation Bonds (Election of 2006, Series 2009A), $70,795,000 of its Oakland Unified School District Taxable General Obligation Bonds (Election of 2006, Series 2009B) (Build America Bonds), and $26,320,000 of its Oakland Unified School District Taxable General Obligation Bonds (Election of 2006, Series 2009C) Qualified School Construction Bonds (Tax Credit Bonds).

The Bonds are the fifth, sixth and seventh series of the authorized bonds to be issued . For discussion of previously issued general obligation bonds of the District, see APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – District Debt Structure" and "– Other Audits; Audit Findings" herein.

Form and Registration

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

Payment of Principal and Interest

Current Interest Bonds. The Series 2012A Bonds and the Series 2012C Bonds (together, the "Current Interest Bonds") will be dated the date of their delivery, and bear interest at the rates set forth on the cover page hereof on February 1 and August 1 of each year to maturity, commencing on ______ 1, 2012 (each, an "Interest Payment Date"), computed using a year of 360 days consisting of twelve 30-day months. Current Interest Bonds authenticated and registered on any date prior to the close of business on ______ 15, 2012, will bear interest from the date of delivery. Current Interest Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Current Interest Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Current Interest Bonds, interest is then in default on outstanding Current Interest Bonds, such Current Interest Bonds will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Current Interest Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made by U.S. Bank National Association, acting as paying agent for the Bonds (the "Paying Agent"), to the person appearing on the registration books of the Paying Agent as the registered owner thereof (the "Owner") as of the preceding Record Date, such interest to be paid by check or draft mailed to such Owner at such Owner's address as it appears on such registration books or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of $1,000,000 or more of Current Interest Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Capital Appreciation Bonds. The Series 2012B Bonds (the "Capital Appreciation Bonds") will be dated the date of their delivery. The Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Capital Appreciation Bond will increase in value by the accumulation of earned interest from its principal amount on the date of issuance to its stated Maturity Value, as stated on the inside cover hereof. Interest on the Capital Appreciation Bonds will be compounded on February 1 and August 1 of each year, commencing ____ 1, 20__.

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

The Underwriter has prepared the Tables of Accreted Values shown in APPENDIX G hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Payment Date prior to maturity.

Principal will be payable at maturity, or upon redemption prior to maturity, upon surrender of Bonds at the Principal Corporate Office of the Paying Agent in San Francisco, California, or at such other place as the Paying Agent shall specify. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the Interest and Sinking Fund of the District within the Alameda County treasury, consisting of *ad valorem* taxes collected and held by the Treasurer-Tax Collector of the County (the "County Treasurer"), together with any net premium and accrued interest received upon issuance of the Bonds. So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX G: "BOOK-ENTRY ONLY SYSTEM."

Designation of Series 2012C Bonds as Qualified School Construction Bonds

The Series 2012C Bonds will be issued as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"). The District expects to receive a Subsidy Payment (as defined below) from the United States Treasury (the "Treasury") pursuant to the Recovery Act equal to the lesser of interest payable on the Series 2012C Bonds or the federal tax credit rate applicable to the Series 2012C Bonds as published by the U.S. Treasury on the day of pricing. The Subsidy does not constitute a full faith and credit guarantee of the United States with respect to the Series 2012C Bonds, but is required to be paid by the Treasury under the Recovery Act. Any Subsidy Payments received by the District are required, pursuant to the Paying Agent Agreement, to be deposited into the Interest and Sinking Fund (as defined below), and are available for payment of any outstanding Bonds of the District. The County is obligated to make all payments of principal of and interest on the Series 2012C Bonds whether or not such Subsidy Payments are received pursuant to the Recovery Act and deposited in the Interest and Sinking Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – General" herein. As such the County sets tax rates based on moneys on hand (including any Subsidy Payments previously received), but does not base the tax rate on the anticipated receipt of future subsidies. While failure to receive a Subsidy Payment timely may cause the County to set a higher tax rate, failure to receive the subsidy payment is unlikely to affect the County's ability to make debt service payments on the Bonds. The District makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Subsidy by the Treasury which may affect the amount, timing or receipt of Subsidy Payments.

Under Section 54F of the Internal Revenue Code (the "Code"), proceeds of qualified school construction bonds may be applied only to the construction, rehabilitation or repair of public school facilities, or the acquisition of land on which such a facility is to be constructed and to payment of costs of issuance not in excess of 2% of the issue price of said bonds. Internal Revenue Service Notice 2009-35, released April 3, 2009, provides that qualified school construction bond proceeds may also be expended for "costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired" with the proceeds of the related qualified school construction bonds. In accordance with Section 54F, the District must spend all of the proceeds of the Series 2012C Bonds within three years of the date of issuance, or apply remaining proceeds to redeem outstanding bonds. See "— Redemption -- *Extraordinary Mandatory Redemption from Unexpended Proceeds*," below

Redemption

Optional Redemption. The Series 2012A Bonds and the Series 2012B Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Series 2012A Bonds and the Series 2012B Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption from Unexpended Proceeds. The Series 2012C Bonds are not subject to optional redemption prior to maturity. The Series 2012C Bonds are, however, subject to extraordinary mandatory redemption, in whole or in part, within 90 days following the third anniversary of the delivery date of the Series 2012C Bonds, or 90 days following the date of termination of any period of time negotiated with the IRS that extends the date by which the proceeds of the sale of the Series 2012C Bonds must be expended, as evidenced in writing from the IRS, at a redemption price equal to the principal amount of the Series 2012C Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption, in a total amount equal to the unexpended proceeds of the Series 2012C Bonds.

Extraordinary Optional Redemption. The Series 2012C Bonds are further subject to redemption prior to maturity at the option of the District upon the occurrence of an Extraordinary Event (as defined below), from any source of available funds, as a whole or in part, on any date, at a redemption price equal to the principal amount of the Series 2012C Bonds called for redemption, plus accrued interest to the date fixed for redemption.

Certain Defined Terms. The term "Extraordinary Event" means (i) legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the District, would be to suspend, reduce or terminate the Subsidy Payment (as defined below); provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the District to comply with the requirements under the Code to receive such Subsidy Payments or (ii) the Subsidy Payment for the most recent Interest Payment Date is at least four months past due and the District determines that the delay is likely to continue and it is in the best interests of the District to redeem the Series 2012C Bonds.

The term "Subsidy Payment" means each of the payments of subsidies paid by the U.S. Treasury in respect of the Series 2012B Bonds from the United States Department of Treasury actually received by the Paying Agent on behalf of the District pursuant to Section 6431(f) of the Code and a filing with the IRS required by the Paying Agent Agreement.

Mandatory Sinking Fund Redemption. The $____ Series 2012_ Term Bonds maturing on August 1, 20__, are also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

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

____

* Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of the term bond optionally redeemed prior to the mandatory sinking fund redemption date.

The $_________ Series 2012_ Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

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

____

* Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of the term bond optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Bonds for Redemption.

Selection of Series 2012A Bonds and Series 2012C Bonds for Redemption. If less than all the Series 2012A Bonds and Series 2012C Bonds are called for redemption, Series 2012A Bonds and Series 2012C Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Series 2012A Bonds and Series 2012C Bonds of any given maturity are called for redemption, the portions of Series 2012A Bonds and Series 2012C Bonds of that maturity to be redeemed shall be determined by lot.

Selection of Series 2012B Bonds for Redemption. If less than all of the Series 2012B Bonds are called for redemption, such bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. If less than all of the Series 2012B Bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be determined by lot. For purposes of such selection, each Capital Appreciation Bond shall be deemed to consist of individual Bonds in denominations of $5,000 Maturity Value each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Bond is required to be given by the Paying Agent not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective owners of any

Bond designated for redemption at their addresses appearing on the bond registration books; and (ii) as may be further required in accordance with the Continuing Disclosure Agreement of the District. See APPENDIX D: "FORM OF CONTINUING DISCLOSURE AGREEMENT."

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

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Resolution, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The owners of Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds delivered in accordance with the Resolution or the Paying Agent Agreement may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice: (i) shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall not be made and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

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

Defeasance of Bonds

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates, in the opinion of a Certified Public Accountant licensed to practice in the State.

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by such Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect taxes to pay the Bonds and such obligation and all agreements and covenants of the District and of the County to such Owners under the Resolution shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described below shall apply in all events.

Unclaimed Moneys

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

Application and Investment of Bond Proceeds

The proceeds from the sale of the Bonds (net of premium, if any) will be deposited in the County treasury to the credit of the Building Fund of the District. Any premium or accrued interest received will be deposited in the Interest and Sinking Fund of the District in the County treasury. Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal, and premium, if any, on bonds of the District.

All funds held by the County Treasurer under the Resolution and the Paying Agent Agreement will be invested in the County Treasurer's investment pool pursuant to law and the investment policy of the County. At the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California, and all or any portion of the Building Fund of the District may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Bonds necessary to maintain the then-current rating on the Bonds. See APPENDIX C: "COUNTY OF ALAMEDA INVESTMENT POLICIES AND PRACTICES DESCRIPTION OF INVESTMENT POOL."

Estimated Sources and Uses of Funds

The Bonds were sold pursuant to the provisions of a Bond Purchase Agreement (as defined herein). See "MISCELLANEOUS – Underwriting" herein. The proceeds of the Bonds are expected to be applied as follows:

Oakland Unified School District
General Obligation Bonds (Election of 2006, Series 2012A)
General Obligation Bonds (Election of 2006, Series 2012B (Capital Appreciation Bonds) and
General Obligation Bonds (Election of 2006, Series 2012C) (Qualified School Construction Bonds)

Estimated Sources and Uses of Funds

Sources of Funds:	
Series 2012A Bonds Par Amount	
Series 2012B Bonds Par Amount	
Series 2012C Bonds Par Amount	
Original Issue Premium	
Total:	
Uses of Funds:	
Deposit to Building Fund	
Costs of Issuance[(1)]	
Underwriter's Discount	
Total:	

(1) Includes bond counsel fees, disclosure counsel fees, financial advisor fees, rating agency fees, paying agent fees, printing fees and other miscellaneous expenses.

Annual Debt Service

The District has previously issued $169,730,000 of bonds authorized at an election held on November 8, 1994, $302,999,893.25 of bonds authorized at an election held on March 7, 2000 and $315,000,000 of bonds authorized at the election held on June 6, 2006. Refunding bonds issued in 1998 and 2007 replaced all or portions of the prior bonds. For more detailed information regarding the District's obligations, see APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – District Debt Structure" herein. Upon issuance of the Bonds, scheduled debt service obligations for all outstanding general obligation bonds of the District will be as follows:

Oakland Unified School District
General Obligation Bonds
Debt Service-Bond Year Basis

Year Ending August 1	Outstanding General Obligation Bonds Election of 2006 Debt Service	General Obligation Bonds (Election of 2006, Series 2012A, Series 2012B and Taxable Series 2012C) Principal	Interest	Annual Debt Service	Total
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
Total:					

COMBINED ANNUAL DEBT SERVICE

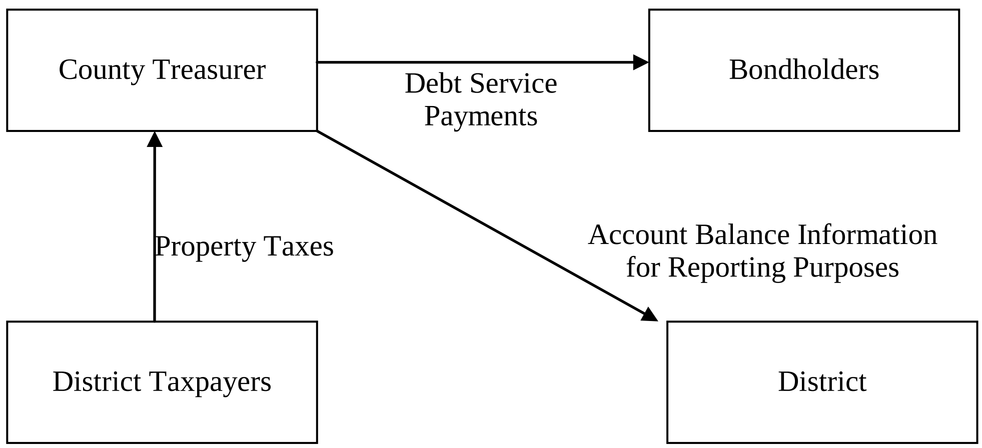
In addition to the Bonds, the District has several other outstanding series of Bonds. See APPENDIX B – "DISTRICT FINANCIAL AND OPERATING INFORMATION – FINANCIAL AND OPERATING INFORMATION – District Debt Structure." Upon issuance of the Bonds, annual debt service obligations for all outstanding bonds of the District, including the Bonds (assuming no optional redemptions prior to maturity) will be as follows:

Period Ending	Other Outstanding Bonds	The Bonds	Total Annual Debt Service
8/1/2012			
8/1/2013			
8/1/2014			
8/1/2015			
8/1/2016			
8/1/2017			
8/1/2018			
8/1/2019			
8/1/2020			
8/1/2021			
8/1/2022			
8/1/2023			
8/1/2024			
8/1/2025			
8/1/2026			
8/1/2027			
8/1/2028			
8/1/2029			
8/1/2030			
8/1/2031			
8/1/2032			
8/1/2033			
8/1/2034			
8/1/2035			
8/1/2036			
8/1/2037			
8/1/2038			
8/1/2039			
8/1/2040			
8/1/2041			
8/1/2042			
Total			

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and used solely for the payment of bonds of the District and interest thereon when due. The following diagram illustrates the flow of property taxes from District taxpayers to the Interest and Sinking Fund, and from there to Bondholders. The tax revenues collected for payment of the Bonds are deposited with the County and invested in the County Investment Pool. They are not legally available for any purpose other than payment of bonds of the District.



Property Taxation System

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

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in a district. School districts levy property taxes through the actions of the various county officers as described above for payment of voter-approved bonds and the proceeds of the levy are held by the county in a restricted fund and used only to pay debt service on the school district's outstanding bonds. School districts also receive property taxes for general operating purposes which constitute a part of the county's general 1% levy. These taxes are deposited in the district's General Fund and used by the district for its operations. The proceeds of the bond tax levy and the operating tax levy are not at any time co-mingled. While district staff and officers control the operation of the district's General Fund, no district staff control the operation of the interest and sinking fund. Only the county treasurer controls the operation of the interest and sinking fund, and the only legally permissible expenditures from such fund are for payments of the district's bonds.

In Fiscal Year 2011-12, the District has budgeted approximately 19% of its total operating revenues from local property taxes.

Assessed Valuation of Property Within the District

Below is a map of other taxing jurisdictions districts with a property tax base that overlaps the District's.

[Insert Map]

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

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

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

Oakland Unified School District
Summary of Assessed Valuation

Fiscal Year	Local Secured	Utility	Unsecured	Total
2002-03	22,389,684,317	49,548,055	1,686,149,546	24,125,381,918
2003-04	24,504,739,213	66,993,229	1,826,878,831	26,398,611,273
2004-05	26,718,830,029	79,048,063	1,975,377,642	28,773,255,734
2005-06	29,544,549,594	77,961,166	2,120,081,747	31,742,592,507
2006-07	33,174,718,874	69,846,294	2,153,409,965	35,397,975,133
2007-08	36,532,402,606	38,365,380	2,217,827,560	38,788,595,546
2008-09	38,361,093,139	36,601,757	2,244,430,090	40,642,124,986
2009-10	36,970,846,568	20,111,731	2,411,540,443	39,402,498,742
2010-11	35,395,239,449	17,942,547	2,713,192,555	38,126,374,551
2011-12	35,751,945,435	19,640,604	2,727,442,229	38,499,028,268

Source: California Municipal Statistics, Inc. for Fiscal Years 2002-03 through 2011-12

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

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault (located within the District), and the San Andreas Fault (located approximately 12 - 14 miles to the west). Significant seismic events include the 1989 Loma Prieta earthquake on the San Andreas Fault, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

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

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

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the Alameda County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Treasurer against all taxing agencies who received tax revenues, including the District.

Bonding Capacity. Under State law, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity is approximately $962 million and its net bonding capacity is approximately $262 million (taking into account current outstanding debt before issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

In accordance with the law which permitted the Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the June 6, 2006 election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $60.00 per $100,000 of assessed valuation. Based on the assessed valuation of taxable property in the District at the time of issuance of the Bonds, the District projects, pursuant to a certification to be delivered concurrently with the issuance of the Bonds, that the maximum tax rate required to repay the Bonds will not exceed the aforementioned legal limit.

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2011-12 secured property tax roll, and the assessed valuations thereof, are shown below.

Oakland Unified School District
Major Taxpayers 2011-12

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total (1)
1.	CIM Oakland LP	Office Building	$ 438,861,069	1.23%
2.	OCC Venture LLC	Office Building	230,646,313	0.65
3.	SIC Lakeside Drive LLC	Office Building	181,187,380	0.51
4.	Kaiser Foundation Health Plan Inc.	Office Building	171,060,438	0.48
5.	Digital 720 2nd LLC	Shopping Center	166,740,448	0.47
6.	Oakland Property LLC	Office Building	132,000,000	0.37
7.	1800 Harrison Foundation	Office Building	122,558,413	0.34
8.	555 Twelfth Street Venture LLC	Office Building	116,450,317	0.33
9.	Suncal Oak Knoll LLC	Planned Residential	114,575,365	0.32
10.	Clorox Company	Office Building	101,330,984	0.28
11.	Eastmont Oakland Associates LLC	Commercial	77,987,302	0.22
12.	Owens Brockway Glass Container Inc.	Industrial	72,870,265	0.20
13.	Catellus Development Corporation	Shopping Center	69,407,000	0.19
14.	Essex Portfolio LP	Apartments	63,254,769	0.18
15.	Legacy Landing LLC	Apartments	59,034,726	0.17
16.	Brandywine Operating Partnership	Office Building	57,515,700	0.16
17.	WM Allegro LLC	Apartments	56,948,500	0.16
18.	Schnitzer Steel Products of California	Industrial	49,845,699	0.14
19.	KSL Claremont Resort Inc.	Hotel/Resort	48,825,000	0.14
20.	Fruitvale Station LLC	Shopping Center	41,000,000	0.11
			$2,372,099,688	6.63%

(1) 2011-12 Local Secured Assessed Valuation: $35,751,945,435

Source: California Municipal Statistics, Inc.

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

Oakland Unified School District
Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$ 7,115,487,035	19.90%	5,723	5.24%
Vacant Commercial	121,737,537	0.34	441	0.40
Industrial	3,173,341,441	8.88	2,199	2.01
Vacant Industrial	137,949,982	0.39	490	0.45
Recreational	55,813,184	0.16	243	0.22
Government/Social/Institutional	253,223,118	0.71	3,715	3.40
Subtotal Non-Residential	$10,857,552,297	30.37%	12,811	11.72%
Residential:				
Single Family Residence	$18,114,637,486	50.67%	66,085	60.45%
Condominium/Townhouse	2,521,097,833	7.05	9,501	8.69
Mobile Home	23,367,965	0.07	174	0.16
2-4 Residential Units	1,328,892,387	3.72	13,850	12.67
5+ Residential Units/Apartments	2,755,588,460	7.71	2,887	2.64
Residential-Miscellaneous Uses	61,274,904	0.17	96	0.09
Vacant Residential	89,534,103	0.25	3,915	3.58
Subtotal Residential	$24,894,393,138	69.63%	96,508	88.28%
Total	$35,751,945,435	100.00%	109,319	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Residential Properties. The following table focuses on single-family residential properties only, which comprise approximately 51% of the assessed value of taxable property in the District. The average assessed value per parcel is $274,111 and the median assessed value per parcel is $178,021.

Oakland Unified School District
Assessed Valuation of Single Family Homes
Fiscal Year 2011-12

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	66,085	$18,114,637,486	$274,111	$178,021

2011-12 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	599	0.906%	0.906%	$ 11,602,706	0.064%	0.064%
$25,000 - $49,999	6,397	9.680	10.586	246,435,204	1.360	1.424
$50,000 - $74,999	4,956	7.499	18.086	307,118,609	1.695	3.120
$75,000 - $99,999	5,240	7.929	26.015	456,168966	2.518	5.638
$100,000 - $124,999	5,354	8.102	34.117	598,828,917	3.306	8.944
$125,000 - $149,999	5,055	7.649	41.766	687,135,238	3.793	12.737
$150,000 - $174,999	4,086	6.183	47.949	659,562,770	3.641	16.378
$175,000 - $199,999	3,416	5.169	53.118	636,754,332	3.515	19.893
$200,000 - $224,999	2,932	4.437	57.555	619,543,625	3.420	23.313
$225,000 - $249,999	2,334	3.532	61.086	551,448,024	3.044	26.358
$250,000 - $274,999	2,234	3.380	64.467	581,696,473	3.211	29.569
$275,000 - $299,999	1,968	2.978	67.445	562,998,724	3.108	32.677
$300,000 - $324,999	1,758	2.660	70.105	547,958,592	3.025	35.702
$325,000 - $349,999	1,552	2.348	72.454	522,403,095	2.884	38.586
$350,000 - $374,999	1,522	2.303	74.757	549,419,750	3.033	41.619
$375,000 - $399,999	1,284	1.943	76.700	496,305,596	2.740	44.358
$400,000 - $424,999	1,208	1.828	78.528	496,878,289	2.743	47.101
$425,000 - $449,999	982	1.486	80.014	428,447,020	2.365	49.467
$450,000 - $474,999	1,025	1.551	81.565	471,675,019	2.604	52.070
$475,000 - $499,999	820	1.241	82.805	398,823,153	2.202	54.272
$500,000 and greater	11,363	17.195	100.000	8,283,433,384	45.728	100.000
Total	66,085	100.000%		$18,114,637,486	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Tax Rates, Levies, Collections and Delinquencies

The annual property tax rate is limited to 1% of the full cash value, plus any additional rate amount necessary to pay all obligations legally payable from *ad valorem* taxes in the current year. The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds.

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are County, city and other special district taxes.

The following table shows *ad valorem* property tax rates for 2011-12 fiscal year in a typical Tax Rate Area of the District (TRA 17-001). TRA 17-001 comprises approximately 50% of the total assessed value of taxable property in the District.

Oakland Unified School District
Tax Collections and Delinquencies
(for Fiscal Year 2011-12)

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 17-001 - 2011-12 Assessed Valuation: $18,023,168,845

	2007-08	2008-09	2009-10	2010-11	2011-12
General	1.0000	1.0000	1.0000	1.0000	1.0000
Oakland Unified School District Bonds	.0806	.0835	.1259	.1267	.1305
Oakland Unified School District State Loan	.0001	-	-	-	-
Peralta Community College District Bonds	.0223	.0362	.0430	.0430	.0436
Bay Area Rapid Transit District	.0076	.0090	.0057	.0031	.0041
East Bay Regional Park District Bonds	.0080	.0100	.0108	.0084	.0071
East Bay Municipal Utility District Bonds	.0065	.0064	.0065	.0067	.0067
City of Oakland	.2023	.1929	.2189	.2207	.2192
Total	1.3274	1.3380	1.4108	1.4086	1.4112

Source: California Municipal Statistics, Inc.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers. When necessitated by changes in assessed value in the course of a year, a supplemental assessment is prepared, and taxes are pro-rated for the portion of the tax year remaining after the change.

Property taxes on the secured roll are due in two equal installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. If the taxes have not been paid by June 30, the tax is deemed to be in default. Secured roll property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If the taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due as of the lien date of January 1 and become delinquent if unpaid on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

Oakland Unified School District
Tax Collections and Delinquencies

	Secured Tax Charge[1]	Amount Del. June 30	Percent Del. June 30
2001-02	24,224,870.96	1,062,905.16	4.39
2002-03	31,047,499.94	1,446,447.84	4.66
2003-04	30,343,463.42	1,234,163.56	4.07
2004-05	37,305,068.67	1,534,788.19	4.11
2005-06	22,782,230.00	878,558.08	3.86
2006-07	46,493,487.76	2,886,125.96	6.21
2007-08	49,533,162.50	3,750,930.53	7.57
2008-09	52,208,875.88	3,537,133.99	6.77
2009-10	66,552,286.84	3,529,755.43	5.30
2010-11	64,969,613.31	2,779,923.73	4.28

(1) District's general obligation bond and parcel tax levy. Measure B parcel tax 2001-02 through 2004-05; Measure E parcel tax 2006-07 through 2010-11.

Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. However, the County of Alameda does not apply the Teeter Plan to taxes levied for repayment of school district bonds. In order to ensure sufficient funds are on deposit in the Interest and Sinking Fund on each principal and interest payment date, despite potential delinquencies in tax collections, the County has historically levied a tax in each year sufficient to cover debt service obligations of the District for the succeeding eighteen months, which has resulted in a surplus balance in the Interest and Sinking Fund each year.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in the boundaries of that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in the boundaries of that agency. The Board of Supervisors has never elected to exercise this right with respect to the District, although the delinquency rate within the boundaries of the District has remained above 3% of the total of taxes and assessments levied on the secured roll since fiscal year 2001-02.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of [November 1, 2011], and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

Oakland Unified School District
Direct and Overlapping Bonded Debt

OAKLAND UNIFIED SCHOOL DISTRICT

2011-12 Assessed Valuation:	$38,499,028,268
Redevelopment Incremental Valuation:	9,360,497,168
Adjusted Assessed Valuation:	$29,138,531,100

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/11	
Bay Area Rapid Transit District	6.681%	$ 27,561,797	
East Bay Municipal Utility District, Special District No. 1	48.365	11,871,189	
East Bay Regional Park District	10.378	13,558,338	
Peralta Community College District	52.339	222,969,374	
Oakland Unified School District	**100.**	**700,520,000**	(1)
City of Oakland	97.526	255,221,270	
City of Oakland 1915 Act Bonds	100.	7,685,000	
City of Emeryville 1915 Act Bonds	3.914	288,070	
City of Piedmont 1915 Act Bonds	4.792	155,261	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,239,830,299	

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Alameda County General Fund Obligations	17.256%	$ 122,778,511	
Alameda County Pension Obligations	17.256	26,675,143	
Alameda-Contra Costa Transit District Certificates of Participation	20.935	7,219,435	
Peralta Community College District Pension Obligations	52.339	104,902,581	
Oakland Unified School District Lease Revenue Bonds	**100.**	**50,145,000**	(2)
City of Emeryville General Fund Obligations	0.080	4,124	
City of Oakland General Fund Obligations	97.526	346,105,145	
City of Oakland Pension Obligations	97.526	190,796,403	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$848,626,342	
COMBINED TOTAL DEBT		$2,088,456,641	(3)

(1) Excludes issue to be sold.
(2) State School Fund Apportionment, Refunding Series 2008 issued by California Infrastructure and Economic Development Bank.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:
Direct Debt ($700,520,000).. 1.82%
Total Direct and Overlapping Tax and Assessment Debt............. 3.22%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($750,665,000) 2.58%
Combined Total Debt 7.17%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $1,305

Source: California Municipal Statistics, Inc.

RISK FACTORS

The District experienced increasing financial strain over a period of several years, culminating in 2003 with the State takeover of the District's affairs and the appointment of a State Administrator to assume the powers of the District's board and superintendent, pursuant to S.B. 39. Although the Board regained full control of District governance in June of 2009, certain historical information described in this section might be of particular interest to investors in the Bonds. More complete information about the District's financial history and steps taken to fiscal recovery are described in APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – School District Governance, State Administration and Restoration of Local Control," "– Financial History of the District" and "– District Debt Structure."

Incomplete Audit Report; Limited Scope Audits

In December 2002, the District's unaudited financial statements for the Fiscal Year 2001-02 showed a General Fund deficit of $31 million as of June 30, 2002, which was projected to reach $52 million by June 30, 2003. Before the audit could be completed, a Financial Crisis Management Assistance Team ("FCMAT") (as explained below) declared a fiscal emergency in the District, and the Board of Education requested the emergency loan from the State, resulting in the adoption of S.B. 39 and the State takeover of the District's financial affairs. Although the audit of the financial statements for Fiscal Year 2001-02 was completed by KPMG, the District never formally approved the audit report, and therefore does not have audited financial statements for that fiscal year.

Since 2002, the District's financial statements have not been audited by an independent public accounting firm. The California State Controller's Office (the "Controller"), acting as the District's independent auditor, as required by S.B. 39, has performed audits of the District's Fiscal Year 2002-03 through 2007-08 financial statements, however in each case limited its opinion in scope to state and federal program compliance. Such audits have not included opinions regarding financial transactions.

As mandated by law, the tax collector of the County has sole responsibility for the levy and collection of the tax imposed to pay the principal of and interest on the District's general obligation bonds. The proceeds of the tax levy are never in the custody of the district or available for any other purpose, and are at all times segregated from the operating revenues of the district. The management team of the District has no role in the process of taxation and payment of the District's bonds. Although the District may have legal authority to supplement the payments on its bonds by transferring operation revenues to the bond payment fund administered by the county tax collector, there is no statutory obligation that it use operating revenues to support is bonds in this way. Furthermore, in the event of a school district's bankruptcy, debt service payments on the District's Bonds should continue uninterrupted. The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues.

The financial information presented in APPENDIX B relating to Fiscal Year 2010-11 represents the unaudited actual financial statements of the District for that year. Until the Superintendent of Public Instruction, in consultation with the Controller, determines that the District is financially solvent, the District must be audited annually by the Controller, the Controller's designee, or an independent auditor selected by the District and approved by the Controller. See APPENDIX B:"INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION -- Oakland Unified School District 2010-11 and 2011-12 General Fund Budgeted Revenues, Expenditures and Fund Balances" pp. A-12 and A-13.

The Alameda County Office of Education ("ACOE") reviews the District's budget, interim and unaudited financial reports throughout the year. The ACOE also reviews and processes each expenditure and receipt and performs internal reconciliation of the District's cash and budget.

See APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – Pending Audits of District Financial Statements" and "– Other Audits; Audit Findings" herein.

Effects of Possible District Bankruptcy

Creditors of the District cannot file an involuntary bankruptcy petition against the District. Subject to the limitations described below and the veto power of the State Trustee, the District could file a voluntary bankruptcy petition under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies. In the event that the District were to file for bankruptcy, Bond holders could experience delays or reductions in payments, loss of rights, or other adverse effects.

State law provides that for so long as any of the State School Fund Apportionment Lease Revenue Bonds issued by the California Infrastructure and Economic Development Bank (the "Infrastructure Bank") on behalf of the District are outstanding, the District cannot file for bankruptcy. See, " – District Debt Structure – Refunding of State Emergency Apportionment Loan" below. The Infrastructure Bank bonds are authorized to be outstanding for a term of 20 years from their issuance. The District can make no prediction as to whether the Infrastructure Bank bonds will remain outstanding to their scheduled maturity. Thus, it is not clear how long such a prohibition would last. In addition, federal law determines whether or not the District can file for bankruptcy, and while the District believes that a federal bankruptcy court will enforce the State law prohibition on filing for bankruptcy, the District can give no assurance that the prohibition will be enforced. Furthermore, if the State were to repeal the relevant law, then the District would be able to file for bankruptcy. While the State has pledged for the benefit of the holders of the Infrastructure Bank bonds that it will not amend or repeal this prohibition on a District bankruptcy in any manner that would materially impair the security or other interests of holders of any of the Infrastructure Bank bonds, the District can make no representation or prediction as to the enforceability of this pledge, or whether if the pledge were breached, holders of the Infrastructure Bank bonds would seek to enforce it. The pledge is not made for the benefit of holders of the Bonds.

In the event of a school district's bankruptcy, debt service payments on School Bonds should continue uninterrupted. The ad valorem taxes that fund School Bonds come within the definition of "special revenues" under Section 902 of the Bankruptcy Code because they are specifically levied to finance one or more projects or systems, and as such, should be exempt from the automatic stay. Even if a bankruptcy court were to miscategorize School Bonds and reject the "special revenue" nature of the funding source, a California school district that files a chapter 9 bankruptcy has no incentive to enforce the automatic stay against School Bonds. The school district is constitutionally prohibited from using the ad valorem tax revenues for any other purpose, so debt obligations on School Bonds would continue to be paid, notwithstanding a Chapter 9 bankruptcy.

Risks to the Property Tax Base

Certain extraordinary events could cause a decline in assessed value of property in the District, requiring the County to increase tax rates in order to meet the debt service obligations on the Bonds.

The property tax base in the district is located on a seismically active fault in California and could sustain a significant decline in value were a large-magnitude earthquake to occur. Property values in the District could also be adversely affected by a number of other natural or manmade disasters. For a more detailed discussion of earthquake risk, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS -- Risk of Decline in Property Values; Earthquake Risk."

The property tax base may also shrink due either to base year assessment appeals or due to blanket reductions of assessed values. For more detail concerning base year assessment appeals or blanket reductions of assessed values, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Appeals of Assessed Valuation; Blanket Reductions of Assessed Values."

The reorganization of regulated utilities and the transfer of electricity generating property between State-assessed utilities and non-utility companies may also have an effect to the size of the District's tax base. A more in-depth discussion of how state-assessed property affects the size of the tax base is available at "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – State Assessed Property."

District Financial Considerations

The District has presented information concerning its finances and operations and has detailed the State funding of education in Appendix B as supplementary information. Because some of the events and circumstances discussed in Appendix B are anomalous, they are noted below. However, neither the principal of nor interest on the Bonds is payable either from the general fund of the District or from State revenues. The Bonds are paid by the County from an *ad valorem* property tax levied by the County – moneys over which the District exerts no control.

The State policy of deferring payments due to school districts into the subsequent fiscal year has contributed to the District's need to temporarily borrow in anticipation of tax collections. As described above, the District has sources from which to borrow, including borrowing from moneys held in fund or accounts other than the General Fund. The District may also issue Tax and Revenue Anticipation Notes with the approval of the County Office of Education.

Several audit findings remain unresolved from fiscal years 2003-04 through 2006-07, and the District cannot predict whether the audits for 2008-09 and 2009-10 when and if completed will also contain findings. The District has allocated $25 million in a designated fund to pay for prior year audit findings, but cannot guarantee that these moneys will be sufficient. Please see page 14 of Appendix B for further information on these audit findings.

TAX MATTERS

Series 2012A Bonds and Series 2012B Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012A Bonds and Series 2012B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012A Bonds and Series 2012B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

To the extent the issue price of any maturity of the Series 2012A Bonds and Series 2012B Bonds is less than the amount to be paid at maturity of such Series 2012A Bonds and Series 2012B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012A Bonds and Series 2012B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012A Bonds and Series 2012B Bonds is the first price at which a substantial amount of such maturity of the Series 2012A Bonds and Series 2012B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012A Bonds and Series 2012B Bonds accrues daily over the term to maturity of such Series 2012A Bonds and Series 2012B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012A Bonds and Series 2012B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012A Bonds and Series 2012B Bonds. Beneficial owners of the Series 2012A Bonds and Series 2012B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012A Bonds and Series 2012B Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2012A Bonds and Series 2012B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012A Bonds and Series 2012B Bonds is sold to the public.

Series 2012A Bonds and Series 2012B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012A Bonds and Series 2012B Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012A Bonds and Series 2012B Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012A Bonds and Series 2012B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012A Bonds and Series 2012B Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012A Bonds and Series 2012B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012A Bonds and Series 2012B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012A Bonds and Series 2012B Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A Bonds and Series 2012B Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012A Bonds and Series 2012B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Series 2012A Bonds and Series 2012B Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012A Bonds and Series 2012B Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012A Bonds and Series 2012B Bonds. Prospective purchasers of the Series 2012A Bonds and Series 2012B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012A Bonds and Series 2012B Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012A Bonds and Series 2012B Bonds ends with the issuance of the Series 2012A Bonds and Series 2012B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Series 2012A Bonds and Series 2012B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2012A Bonds and Series 2012B Bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2012A Bonds and Series 2012B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2012A Bonds and Series 2012B Bonds, and may cause the District or the beneficial owners to incur significant expense.

Series 2012C Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2012C Bonds is exempt from State of California personal income taxes. Interest on the Series 2012C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2012C Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2012C Bonds that acquire their Series 2012C Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2012C Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2012C Bonds pursuant to this offering for the issue price that is applicable to such Series 2012C Bonds (i.e., the price at which a substantial amount of the Series 2012C Bonds are sold to the public) and who will hold their Series 2012C Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2012C Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2012C Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2012C Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2012C Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2012C Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The Series 2012C Bonds may be issued with original issue discount ("OID"). For such bonds, in general, the excess of the stated redemption price at maturity of a Series 2012C Bond over its issue price will constitute OID for U.S. federal income tax purposes. The stated redemption price at maturity of a Series 2012C Bond is the sum of all scheduled amounts payable on the Series 2012C Bond (other than qualified stated interest). U.S. Holders of Series 2012C Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2012C Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2012C Bonds.

Disposition of the Series 2012C Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a Series 2012C Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2012C Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2012C Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2012C Bond (generally, the purchase price paid by the U.S. Holder for the Series 2012C Bond, increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2012C Bond and decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2012C Bond, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2012C Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2012C Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Series 2012C Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2012C Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2012C Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a Series 2012C Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2012C Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2012C Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2012C Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a Series 2012C Bond, to certain noncorporate holders of Series 2012C Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2012C Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2012C Bond or a financial institution holding the Series 2012C Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2012C Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Series 2012C Bond to the seller of the Series 2012C Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2012C Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2012C Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the District and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the Series 2012C Bonds and the transactions described herein (or in such opinion or other advice); and

- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX E: "PROPOSED FORM OF OPINION OF BOND COUNSEL" hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in the State of California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2011-12 Fiscal Year (which is due no later than March 31, 2013) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F: "FORM OF CONTINUING DISCLOSURE AGREEMENT" herein. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The District has made similar covenants in connection with prior issues of municipal securities of the District. Although the District has filed all required Annual Reports timely, the District has not included its audited financial statements for Fiscal Year 2001-02 in the Annual Reports for that fiscal year because those audit reports were not finalized or accepted by the District. The District did not file audited financial statements for Fiscal Years 2004-05 through 2009-10 with its Annual Report for those years because such audits had not yet been completed by the Controller. The District filed all required notices pursuant to the Rule in connection with such delayed audited financial statements and filed unaudited financial statements for Fiscal Years 2001-02 and 2004-05 through 2009-10. The District filed the audited financial statements for Fiscal Years 2004-05, 2005-06 , 2006-07 and 2007-08 as soon as they were completed. The Controller has not yet begun audits for Fiscal Years 2008-09 or 2009-10. See, "SPECIAL INVESTOR CONSIDERATIONS – Incomplete Audit Report; Limited Scope Audits" above. Copies of all notices and Annual Reports filed by the District pursuant to the Rule and the covenants of the District may be obtained from the District or from the MSRB.

No Litigation

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

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. See, however, APPENDIX B: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – FINANCIAL AND OPERATING INFORMATION – Other Audits; Audit Findings" herein.

MISCELLANEOUS

Rating

The Bonds have received the rating of "___" from Moody's. Moody's generally bases its rating on its own investigations, studies and assumptions. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement). The rating reflects only the views of Moody's, and any explanation of the significance of such rating may be obtained only from Moody's at One Front Street, Suite 1900, San Francisco, CA 94111. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

Professionals Involved in the Offering

KNN Public Finance, a division of Zions First National Bank, is acting as Financial Advisor to the District in connection with the issuance of the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Orrick, Herrington & Sutcliffe LLP, San Francisco, California is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association, San Francisco, California is acting as Paying Agent with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being sold by Piper Jaffray & Co.., as representative (the "Representative") of itself and Siebert Brandford Shank & Co., LLC, as underwriters (collectively, the "Underwriters") pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement"), dated ____, 2012, at a price of $___________ (representing the principal amount of the Series 2012A Bonds of $_________, the Series 2012B Bonds of $_________ and the Series 2012C Bonds of $_________). The Bond Purchase Agreement provides that the purchase of the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds is contingent upon certain legal requirements and other matters. The Representative has certified certain information regarding the reoffering prices or yields set forth on the inside cover hereof regarding the Bonds. The Underwriters' compensation ("spread") is $________. The Underwriters will also pay for certain costs of issuance out of proceeds of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

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

Additional Information

Quotations from and summaries and explanations of the Bonds, the Resolutions and the Paying Agent Agreement providing for issuance and payment of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Copies of documents referred to herein and information concerning the Bonds are available from the District through the Office of the Deputy Superintendent, Business and Operations, 1025 Second Avenue, Oakland, CA 94606.

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

OAKLAND UNIFIED SCHOOL DISTRICT

By /s/ Dr. Anthony Smith
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

THE ECONOMY OF THE DISTRICT

The following economic data for selected cities and the County are presented for information purposes only. The Bonds are not a debt or obligation of the cities or the County.

General

The City of Oakland (the "District") is located in the County of Alameda (the "County") on the eastern shore of the San Francisco Bay (the "Bay"), approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the District is the largest and most established of the "East Bay" cities. Its geography ranges from industrialized areas in the west which border the Bay to suburban foothills in the east. The District is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The District is also served by a growing international airport and the Bay Area Rapid Transit system ("BART"), which connects the District by commuter rail with most of the Bay Area. Formerly the industrial heart of the San Francisco Bay Area (the "Bay Area"), the District has developed into a diverse financial, commercial and governmental center. The District is the seat of government for the County and is the eighth most populous city in the State of California (the "State"), with a population of approximately 392,932 as of January 1, 2011.

Oakland Unified School District has **a** diverse mix of traditional and new economy companies. Companies are attracted to the District's excellent quality of life, comparatively low business costs, extensive fiber-optic infrastructure, vast intermodal network, and a highly skilled labor pool—ranked the eighth most educated in the nation according to the 2000 U.S. census. Leading industries include business services, health care services, transportation, food processing, light manufacturing, government, arts, culture, and entertainment. Prominent employers or businesses headquartered in the District include Clorox Company, Kaiser Permanente, Cost Plus and Dreyer's Grand Ice Cream.

Culturally, the District is home to a regionally and nationally recognized symphony, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theater and newly-renovated Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The District is also the only city in California with three major professional sports teams. The Oakland Athletics, the Golden State Warriors, and the Oakland Raiders all play at stadiums within the District, and at other times these venues are used for concerts, other sporting events, and other purposes.

The District boasts one of the highest percentages of parks and open space per capita in the nation. The District counts lush green hills, forests, creeks, an estuary, and two shimmering, lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the District.

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Population

The Demographic Research Unit of the California Department of Finance estimated the District's population on January 1, 2011 at 392,932. This figure represents 25.83% of the corresponding County figure and 1.05% of the corresponding State figure. The District's population has grown 0.60% since last year. The following Table sets forth the estimated population of the District, the County, and the State from calendar years 2002 through 2011.

POPULATION GROWTH
District, County of Alameda and State of California Population
2002 - 2011

Calendar Year	District	County	State
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000
2006	411,755	1,510,303	37,172,015
2007	415,492	1,526,148	37,662,518
2008	420,183	1,543,000	38,049,462
2009	425,368	1,557,749	38,255,508
2010*	390,757	1,509,240	37,223,900
2011*	392,932	1,521,157	37,510,766

* These population estimates incorporate the 2010 census count. As a result, they are not comparable with prior years.
Note: All as of January 1
Source: *City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2007 through June 30, 2011*

Employment

The following Table sets forth the largest industries in the County in terms of employment in each respective industry, as estimated by the State Employment Development Department as follows:

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County of Alameda
Employment by Industry Group
Annual Averages 2006-2010

Industry Employment (I)	2006	2007	2008	2009	2010
Agriculture	800	800	700	700	700
Manufacturing	75,600	73,700	72,300	64,100	60,500
Other Goods Producing	44,200	43,800	40,300	33,600	30,300
Trade, Transportation, Warehousing and	135,600	137,000	131,800	121,700	118,300
Information	16,700	16,000	16,100	14,900	14,000
Finance, Insurance, and Real Estate	35,600	33,300	30,600	22,400	22,900
Professional and Business Services	104,400	108,600	112,900	102,800	104,400
Education and Health Services	79,100	79,500	83,000	89,500	91,100
Leisure and Hospitality	53,200	54,800	56,300	53,900	54,100
Other Services	23,800	23,700	23,700	22,900	22,900
Government	133,100	131,700	124,600	121,200	118,200
TOTAL (2)	702,100	702,900	692,300	646,900	646,900

(1) Based on place of work.

(2) Total may not be precise due to rounding.

Source: State of California, Employment Development Department, Labor Market Information Division.

Industry and Employment

The following Table sets forth estimates of the labor force, civilian employment, and unemployment for District residents, State residents and United States residents from calendar years 2006 through 2010. The California Employment Development Department has reported preliminary unemployment figures for September 2011 at 11.4% for the State, 10.2% for the County, and 15.3% for the District (not seasonally adjusted).

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District, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2006-2010

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2006				
District	192,900	179,600	13,300	6.9%
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
District	195,700	181,200	14,500	7.4
State	18,188,100	17,208,900	979,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
District	200,300	181,200	19,100	9.5
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
District	207,633	173,658	33,975	16.4
State	18,462,775	16,308,233	2,154,542	11.7
United States	154,206,000	139,881,000	14,325,000	9.3
2010				
District	203,509	168,427	35,100	17.3
State	18,228,545	15,983,691	2,274,855	12.5
United States	153,925,000	139,038,000	14,887,000	9.7

Source: State Employment Development Department, Labor Market Information Division.

Major Employers

The following Table sets forth the top ten major employers **in** the District, the employees of which represent approximately 23.04% of the labor force.

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District
Principal Employers
As of June 30, 2011

Employer	Number of Employees	Percent of Total Employment[1]
Alameda County	9,611	5.42 %
Oakland Unified School District	5,570	3.14
World Savings & Loan Assn	4,389	2.48
Cost Plus Inc.	4,148	2.34
City of Oakland	4,073	2.30
Dreyer's Grand Ice Cream Inc.	3,700	2.09
Peralta Community College District	2,759	1.56
Internal Revenue Service	2,500	1.41
Children's Hospital & Research	2,070	1.17
Itron	2,000	1.13
TOTAL	40,820	23.04%

[1] Total employment (2010 estimate) from DemographicsNow.com is used to calculate the percentage of employment
Source: City of Oakland, Comprehensive Annual Financial Report for the Fiscal Year Ended June 20, 2011.

Construction Activity

The following Table sets forth a summary of residential and commercial building permit valuations in the District.

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District
Building Permit Valuation
Fiscal Years 2007-2011

	2007	2008	2009	2010	2011
Building Permits Issued	16,488	14,957	13,055	12,951	13,648
Authorized New Dwelling Units	2,035	704	395	555	528
Commercial Value (in thousands)	$171,157	$213,696	$117,876	$95,851	$108,767
Residential Value (in thousands)	$611,036	$258,617	$196,362	$168,872	$179,374

Source: *City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 2007 through June 30, 2011*

Foreclosure Activity

The following table provides information on the number of foreclosures on residential property located in the City.

OAKLAND UNIFIED SCHOOL DISTRICT
Annual Number of Residential Foreclosures for Select Cities and the County

Calendar Year	City of Oakland
2005	74
2006	187
2007	923
2008	2,338
2009	1,692
2010	1,728
2011	1,494

Source: MDA DataQuick Information Systems.

Income

Personal income in the County increased by 2.7% from 2009 to 2010. Per capita personal income in the County grew by 1.7% in that same time period. The following tables summarize personal income for the County for the period 2006 - 2010.

PERSONAL INCOME FOR THE SAN FRANCISCO-OAKLAND-FREMONT REGION
2006 - 2010
In millions of dollars

Year	San Francisco-Oakland-Fremont	Annual Percent Change
2006	$247,431	--
2007	259,429	4.8%
2008	265,954	2.5%
2009	259,043	-2.6%
2010	265,969	2.7%

PER CAPITA PERSONAL INCOME
2006 – 2010
In dollars

Year	San Francisco-Oakland - Fremont	Annual Percent Change
2006	$59,439	--
2007	61,737	4.8%
2008	62,667	2.5%
2009	60,203	-2.6%
2010	61,208	1.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Retail Sales

The following Table sets forth a history of taxable sales for the City for calendar years 2006 through 2010.

City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2006-2010
($ In Thousands)

Taxable Retail Sales	2006	2007	2008
Apparel Stores	$54,090	$58,448	$54,558
General Merchandise	181,926	186,346	194,196
Food Stores	183,913	203,400	206,448
Eating & Drinking	433,736	465,224	475,061
Household	69,353	63,822	77,752
Building Materials	325,065	285,930	214,103
Auto Dealers and Supplies	543,896	572,407	407,491
Service Stations	404,202	513,570	673,009
Other Retail	481,694	434,795	368,342
SUBTOTAL	2,677,875	2,783,942	2,670,960
All Other Outlets	1,779,513	1,907,058	1,211,502
TOTAL ALL OUTLETS	$4,457,388	$4,691,000	$3,882,462

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Taxable Retail Sales	2009[1]	2010[2]
Motor Vehicle and Parts Dealers	$312,956	$156,835
Home Furnishings and Appliance Stores	131,257	60,651
Building Material and Garden Equipment and Supplies	166,595	74,378
Food and Beverage Stores	235,529	116,012
Gasoline Stations	409,514	224,150
Clothing and Clothing Accessories Stores	61,381	31,197
General Merchandise Stores	87,274	40,308
Food Services and Drinking Places	471,705	243,221
Other Retail	294,565	137,456
SUBTOTAL	2,170,777	$1,084,208
All Other Outlets	1,051,198	493,928
TOTAL ALL OUTLETS	$3,221,975	$ 1,578,136

[1] Beginning in 2009, the reports convert to using the NAICS codes. As a result of the coding change, industry levels for 2009 and 2010 are not comparable to those of prior years.
[2] Numbers are for the first and second quarter only.
Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

APPENDIX B

EXCERPTS FROM UNAUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

FINANCIAL AND OPERATING INFORMATION

General

The District is located in and is approximately coterminous with the City of Oakland, California (the "City"), located on the east side of San Francisco Bay, approximately 10 miles from San Francisco. The District's boundaries also include small portions of the neighboring cities of Emeryville and Alameda. The District encompasses approximately 53.2 square miles, including a diverse economy of industry, services, health care, retail, and other commercial activity. The District was unified in 1952, combining then-existing high school and elementary school districts.

During the 2011-12 school year, the District will operate 62 elementary schools, 17 middle schools, 12 comprehensive senior high schools, one alternative middle school, six alternative high schools, one continuation school serving grades 9-12, one alternative high school independent study program, one community day school, and one special education school. At the commencement of the 2011-12 school year, 32 charter schools operated within the District. Including the students in the charters, approximately 38,000 students are served in grades Kindergarten through 12. As of the commencement of the 2011-12 school year, the District employed approximately 5,000 employees, including certificated (credentialed teaching), classified (non-teaching) and management. The District has adopted a Fiscal Year 2011-12 general fund budget reflecting expenditures of approximately $389.1 million. Total assessed valuation of taxable property in the District in Fiscal Year 2011-12 was approximately $38.5 billion. The District operates under the jurisdiction of the Alameda County Superintendent of Schools.

School District Governance, State Administration and Restoration of Local Control

School districts are generally governed by a locally elected governing board, which appoints a superintendent to act as the chief executive and administrative officer. In March 2003, the Board of Education of the District (the "Board") determined that it could not meet its financial obligations, and requested an emergency loan from the State pursuant to provisions of the Education Code (the "Emergency Apportionment Loan"). The State Legislature adopted special urgency legislation ("S.B. 39"), approved by the Governor on May 30, 2003, authorizing the Emergency Apportionment Loan and requiring the State Superintendent of Public Instruction to assume all of the rights, duties and powers of the governing board of the District, and to appoint an administrator (the "State Administrator") to act on behalf of the State Superintendent in exercising his powers over management of the District.

From May 30, 2003 to June 29, 2009, all or a portion of the functional areas of the District's operations were governed by the State Administrator. On June 30, 2009, the District Board regained full control of all functional areas of governance of the District.

On July 1, 2009, Tony Smith was appointed Superintendent of the District. The Superintendent acts as chief executive and administrative officer of the District. Dr. Smith previously served as a deputy superintendent in the San Francisco Unified School District where he headed its instruction, innovation and social justice programs since 2007. Prior to working at San Francisco Unified School District, he served as superintendent in Emeryville Unified School District from 2004 to 2007 as that school district emerged from State administration.

Upon the return of control of District governance to the Board of Education, the State Superintendent appointed a trustee for the District (the "State Trustee"). The State Trustee serves at the pleasure of, and reports directly to, the State Superintendent, until (1) the Emergency Apportionment Loan is repaid, (2) the District has adequate fiscal systems and controls in place, and (3) the State Superintendent has determined that the District's future compliance with the Recovery Plan (as defined below) is probable. During his or her tenure, the State Trustee is empowered to stay or rescind any action of the Board of Education that, in the judgment of the State Trustee, may affect the financial condition of the District. In addition, the State Superintendent, acting through the State Trustee, may at any time modify the Recovery Plan if deemed unsatisfactory, and the District would be required to comply with the Recovery Plan as modified. Carlene Naylor currently serves as the State Trustee.

[Bio of Ms. Naylor to come when available.]

Financial History of the District

The District experienced a worsening financial situation over several years leading up to the request for the Emergency Apportionment Loan by the State, the appointment of the State Administrator, and the resignation of the Superintendent in June 2003.

At that time, the County Superintendent had appointed the Fiscal Crisis and Management Assistance Team ("FCMAT") as the financial advisor to the District. Upon review of the District's financial condition, FCMAT declared a fiscal emergency in the District. In response to this declaration, the District requested the Emergency Apportionment Loan, resulting in the adoption of S.B. 39. S.B. 39 approved up to $100 million in an emergency apportionment loan to the District to cover existing fiscal responsibilities, and set forth conditions for repayment of the loan. The District immediately drew down $65 million of the amount, of which $40 million was used to repay the amount that had been borrowed from the Building Fund for the benefit of the General Fund. The remaining amount was used to cover June 2003 payroll and provide working capital to the General Fund. The District subsequently drew down the remaining $35 million at the end of Fiscal Year 2005-06 for general operating purposes. The District began repayment of the emergency apportionment loan in Fiscal Year 2003-04.

As a condition of acceptance of the emergency apportionment loan, S.B. 39 directed the State Superintendent of Public Instruction to assume the legal powers of the locally elected Board of Education and its appointed superintendent, and to appoint the State Administrator to oversee the District's affairs and develop a multi-year recovery plan.

The District implemented a multi-year recovery plan under FCMAT's oversight that outlined changes and strategic initiatives across five categories (or "functional areas") of District governance: community relations and governance, pupil achievement, financial management, personnel management, and facilities management. Three years later, in 2006, the State began to return control of certain functional areas of District management to the District. In December of 2008, FCMAT reported that the District had met the established criteria, and recommended return of the last two functional areas (financial management and pupil achievement) to Board control and the appointment of a State Trustee in lieu of a State Administrator. Control of the District was officially restored to the District Board on June 30, 2009.

S.B. 39 also directs the California State Controller's Office (the "Controller") to conduct the annual financial audits of the District until such time as the State Superintendent determines that the District is financially solvent. See, "– Other Audits; Audit Findings – Operations Audit" below.

Strategic Plans

Pursuant to S.B. 39, the District was required to adopt and implement the recommendations of a plan for the financial recovery of the District and the return of local control of the five functional areas. On June 24, 2009, the District adopted the most recent amendments to its Multi-Year Financial Sustainability Plan (the "Sustainability Plan"), which was originally adopted on January 8, 2009.

In June of 2011, the District adopted a five year strategic plan with five major goals: (1) providing safe, healthy and supportive schools, (2) preparing students for success in college and careers, (3) delivering high quality and effective instruction, (4) becoming a full service community district, and (5) holding the District accountable for quality.

As part of its strategic plan, the District has improved fiscal policies by running cash flow statements and reconciling cash on a monthly basis. The District has also invested in the professional development of the finance staff by implementing a more rigorous system of evaluations, by improving the quality of management, by increasing expectations from all employees, and by using new metrics to measure and encourage departmental effectiveness.

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund, and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including State and federal programs. The District receives approximately 61% of its revenues from State funds, expected to be $247.9 million according to the District's Adopted Budget in Fiscal Year 2011-12. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

- State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98", a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution).

- Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote of each house of the Legislature no later than June 15 or legislators will permanently forfeit daily salary and expenses until the budget is passed. This deadline has routinely been breached in the past when the vote requirement was two-thirds and legislators' salaries were not at risk. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2011-12 Budget on June 30, 2011, the first on-time budget since 2006.

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

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

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor".

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the "2011-12 State Budget") on June 30, 2011. The 2011-12 State Budget closes a $26.6 billion budget gap with $15.0 billion in expenditure reductions, $0.9 billion in targeted revenue increases, $8.3 billion in an improvement in the State's revenue outlook and $2.9 billion in new loans and transfers.

The 2011-12 State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at similar levels for fiscal year 2011-12 as is in effect for fiscal year 2010-11. .

The 2011-12 State Budget, as enacted, slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 ($48.7 billion) from fiscal year 2010-11 ($49.7 billion). Such funding reflects an increase in general fund revenues in fiscal year 2011-12, the expiration of a variety of short-term tax increases and the rebenching of Proposition 98 guarantee for revenue and program shifts (as further described below).

Under Proposition 98, K-14 education is guaranteed the same percentage of State general fund revenue that was provided in fiscal year 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted or "rebenched" to accurately reflect the base year distribution of State revenues to K-14 education. In fiscal year 2011-12, there are four new rebenching impacts:

- An increase of $578.1 million to ensure that the Proposition 98 guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in fiscal year 2010-11, reducing the amount of revenue that is counted as general fund with the state appropriation limit for the purposes of the Proposition 98 calculation.

- An increase of $221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee. The 2011-12 State Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.

- A decrease of $1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The 2011-12 State Budget shifts the child care program fund source from Proposition 98 general fund to non-Proposition 98 general fund. The part-day preschool programs are still funded within Proposition 98.

- A decrease of $1.7 billion to ensure that the total Proposition 98 guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The 2011-12 State Budget requires local agencies to provide remittances totaling $1.7 billion in fiscal year 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency. This has the effect of increasing the local tax portion of revenue limit funding.

In addition to the above adjustments, Proposition 98 is decreased $2.1 billion as a result of the reduction in general fund sales tax revenue related to the realignment of public safety programs to counties.

Certain adjustments to Proposition 98 expenditures adopted as part of the 2011-12 State Budget included (i) the deferral of $2.1 billion in K-12 education funding, from payment in 2011-12 to 2012-13, to preserve cash for the state, and (ii) a decrease of $62.3 million of part-day State preschool expenditures, including a decrease of $16.1 million to reduce income eligibility to 70% of the State median income, and a decrease of $46.2 million to reduce provider contracts across-the-board.

The 2011-12 State Budget includes the following significant Proposition 98 general fund policy and workload adjustments:

- <u>Shift in mental health services from counties to school districts</u>. The 2011-12 State Budget rebenches the Proposition 98 guarantee and provides an increase of $221.8 million Proposition 98 general fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts.

- Funding for new charter schools. A total of $11 million to provide charter schools that commenced operations between fiscal year 2008-09 and fiscal year 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.

- Extension of flexibility for K-12 school districts. The 2011-12 State Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements and local budget reserve requirement.

In addition to the above, a decrease of $180.4 million to child care and development programs was enacted.

The 2011-2012 State Budget also makes a one-time change to the A.B. 1200 (see "−District Budget Process and County Review" below) financial reporting process by requiring K-12 districts to adopt a one-year budget for Fiscal Year 2011-2012 and not the standard current budget plus two subsequent years. It further specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled).

The complete 2011-12 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Proposed 2012-13 State Budget. The Governor officially released his proposed fiscal year 2012-13 State budget (the "2012-13 Proposed State Budget") on January 5, 2012. The 2012-13 Proposed State Budget projects that the State will face a budget gap of $9.2 billion in fiscal year 2012-13, which is less than the $26.6 billion budget gap encountered for fiscal year 2011-12 but more than the approximate $5 billion that was projected when the 2011-12 State Budget was signed. The 2012-13 Proposed State Budget provides that the $9.2 billion budget gap is the result of a carryover deficit of $4.1 billion from fiscal year 2011-12 and an operating deficit, absent any solutions, of $5.1 billion. The carryover deficit of $4.1 billion from fiscal year 2011-12 is, according to the 2012-13 Proposed State Budget, a result of several developments, including a $1.9 billion deficit that carried over from the prior fiscal year and court orders and delayed federal approval related to several cuts in the 2011-12 State Budget.

The 2012-13 Proposed State Budget indicates that a total of $10.3 billion in cuts, taxes and other revenues will be necessary to close the $9.2 billion budget gap and to build a $1.1 billion reserve. The 2012-13 Proposed State Budget reduces expenditures by $4.2 billion, including substantial cuts to major programs, such as a $946 million cut to CalWORKs, $447 million cut to subsidized child care, $842 million cut to Medi-Cal and $302 million reduction to the Cal Grant program. The 2012-13 Proposed State Budget also plans for a $544 million savings from the elimination of supplemental funding for schools associated with the elimination of the sales tax on gasoline together with certain other Proposition 98 adjustments. The 2012-13 Proposed State Budget proposes a total of $6.1 billion in new revenues.

In addition to balancing the budget, the 2012-13 Proposed State Budget aims to set forth a path to meet the State's long-term fiscal challenges. The 2012-13 Proposed State Budget recognizes that the State's debt, deferrals and budgetary obligations will total $33 billion at the end of fiscal year 2011-12. Under the 2012-13 Proposed State Budget, for the first time in the past decade, the budget is projected to be balanced on an ongoing basis and the $33 billion amount is projected to be paid off by fiscal year 2015-16.

The 2012-13 Proposed State Budget assumes the passage of the Governor's proposed initiative for increased taxes at the November 2012 election, which initiative increases the income tax on the State's wealthiest earners and temporarily increases the sales tax by 0.5%. This initiative is projected by the 2012-13 Proposed State Budget to generate an additional $6.9 billion in revenues in fiscal year 2012-13, which amount results in a net benefit to the State general fund of $4.4 billion after accounting for the increased Proposition 98 minimum guarantee. If the Governor's proposed initiative is not approved, the 2012-13 Proposed State Budget specifies a trigger package of cuts to take effect on January 1, 2013, consisting of $5.4 billion in additional cuts, including a $4.8 billion cut to schools and community colleges through the reduction in the Proposition 98 guarantee, a $200 million cut to the State's public university systems and a $125 million cut to the State's court system.

As it relates to K-12 education, the 2012-13 Proposed State Budget recognizes that Proposition 98 funding for K-12 education significantly declined from an all time high of $56.6 billion in fiscal year 2007-08 to $47.6 billion in fiscal year 2011-12. The 2012-13 Proposed State Budget, assuming approval of the Governor's proposed tax initiatives, provides Proposition 98 funding of $52.5 billion for K-12 education, an increase of $4.9 billion from the previous fiscal year. When accounting for all state, federal and local property tax resources, total funding for K-12 education is projected to be $67.1 billion in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be $10,610 in fiscal year 2011-12 and $11,246 in fiscal year 2012-13, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2012-13 Proposed State Budget are $7,815 in fiscal year 2012-13, up significantly from the $7,096 per-pupil provided in fiscal year 2011-12. For fiscal year 2011-12, K-12 A.D.A. is estimated to be 5,950,041, an increase of 2,673 from fiscal year 2010-11. The 2012-13 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 20,734 to 5,970,775 in fiscal year 2012-13.

In addition to the projected, and assumed, new revenues, the 2012-13 Proposed State Budget proposes (i) a series of rebenchings of the Proposition 98 guarantee, which rebenchings are projected to provide for $373 million of State general fund savings, (ii) a Proposition 98 general fund reduction of $171 million to special education and community college apportionments in fiscal year 2011-12 to offset the increased property taxes resulting from the elimination of redevelopment agencies, and (iii) an increase of more than $2.3 billion in Proposition 98 general fund to reduce inter-year budgetary deferrals for school districts and community colleges.

Certain major workload adjustments for K-12 programs included in the 2012-13 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2012-13 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2012-13. The projected COLA for fiscal year 2012-13 is 3.17%, which would have provided a $1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment.

- Local Property Tax Adjustment. An increase of $196 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of lower offsetting property tax revenues, and an increase of $627 million for school district and county office of education revenue limits in fiscal year 2012-13 as a result of reduced offsetting property tax revenues.

- Average Daily Attendance. A decrease of $694 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected A.D.A. from the 2011-12 State Budget, and an increase of $158 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of projected growth in A.D.A. for fiscal year 2012-13.

- K-14 Mandates Funding. An increase of $110.1 million to support a new block grant program for K-14 mandates. The 2012-13 Proposed State Budget provides a total of $200 million to fund a mandates block grant incentive program for K-14, while eliminating almost half of the current K-14 mandates. Incentives are created for schools to continue to comply with remaining previously mandated activities.

- Redevelopment Agency Elimination. An increase of $1.1 billion in offsetting local property taxes for fiscal year 2012-13 due to the elimination of redevelopment agencies.

- Unemployment Insurance. An increase of $21.8 million in fiscal year 2012-13 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.

- Charter Schools. An increase of $50.3 million in Proposition 98 general fund for charter school categorical programs due to charter school growth. The 2012-13 Proposed State Budget proposes to improve in general the operational and financial playing field for charter schools through a series of changes.

- Reduce Child Care Costs. A decrease of $446.9 million in non-Proposition 98 general fund and $69.9 million in Proposition 98 general fund to State Department of Education child care programs to reflect changes to reimbursement rates, and to reflect the alignment of eligibility for low-income working family child care services with federal welfare-to-work work participation requirements.

- Transitional Kindergarten. A decrease of $223.7 million Proposition 98 general fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year. These savings will be used to support existing education programs.

- Child Nutrition Program. A decrease of $10.4 million in non-Proposition 98 general fund in fiscal year 2012-13 to reflect the elimination of supplemental reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers. And an increase of $37.2 million for fiscal year 2012-13 in State Department of Education federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

In addition, the 2012-13 Proposed State Budget proposes a new weighted pupil funding formula that will provide significant and permanent additional flexibility to school districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to school based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funding will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years. The programs that will be replaced by the new formula will immediately be made completely flexible for use in supporting any locally determined education purpose. The 2012-13 Proposed State Budget also adds a system of accountability measures that will be the basis for evaluating and rewarding school performance under this new finance model, which includes the current quantitative, test-based accountability measures and locally developed assessments and qualitative measures.

The complete 2012-13 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2012-13 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2012-13 Proposed State Budget entitled "The 2012-13 Budget: Overview of the Governor's Budget" on January 11, 2012 (the "2012-13 Budget Overview") in which the LAO disagreed with the $9.2 billion budget gap estimated by the 2012-13 Proposed State Budget and projected a $12.8 billion budget gap, a $3.6 billion difference. This difference is mainly due to the different forecasts of personal income tax revenues, particularly for high-income tax filers. If the LAO's estimates are closer to the target than that in the 2012-13 Proposed State Budget, the State Legislature would have to pursue billions of dollars more in budget-balancing solutions. Further, the 2012-13 Budget Overview recognizes that the State's budget is already dependent on volatile income tax payments by the State's wealthiest individuals and raises concern that the 2012-13 Proposed State Budget is centered on the plan to have these wealthiest individuals pay more taxes, making the State more dependent on this uncertain revenue source.

In the 2012-13 Budget Overview, although the LAO disagrees with the projections provided by the 2012-13 Proposed State Budget, the LAO does agree that the 2012-13 Proposed State Budget, whether with the Governor's proposed tax initiatives or with the trigger package of cuts, would move the State's budget closer to balance over the next several years. The 2012-13 Budget Overview recommends the State Legislature adopt the basic restructuring approaches to the K-12 finance system, community college categorical funding model and education mandate system included in the 2012-13 Proposed State Budget regardless of the State's revenue situation, albeit with a few modifications to specific proposals such as the amount of mandates block grant funding provided or the specific mix of mandated programs that are eliminated versus made discretionary. The 2012-13 Budget Overview also recommends that the State Legislature adopt the proposal in the 2012-13 Proposed State Budget to avoid initiating major new programs beginning in fiscal year 2012-13, such as the transitional kindergarten program. While the 2012-13 Budget Overview finds that the there are advantages to the proposed changes and reductions for CalWORKs and subsidized child care, it recognizes that there are potential trade-offs such as the negative impact on many of the State's low-income families.

The LAO believes that the Proposition 98 proposal in the 2012-13 Proposed State Budget generates significant uncertainty for schools districts as it is based upon revenues that would not materialize until midyear with a severe trigger package of cuts in case such revenues, dependent on the Governor's proposed tax initiatives, ultimately do not materialize. Such a scenario, according to the 2012-13 Budget Overview, would force school districts to adopt budgets assuming the $2.4 billion in programmatic cuts and implement adjustments and reductions that the 2012-13 Proposed State Budget sought to avoid. In contrast, school districts that build budgets assuming the tax initiatives would be adopted could face very difficult midyear fiscal situations if the projected revenues do not materialize. The 2012-13 Budget Overview provides that the State Legislature should consider the unintended consequences of the trigger approach in the 2012-13 Proposed State Budget and be very deliberate in structuring a trigger package, as it in essence would determine the size and quality of the State's K-14 education program in fiscal year 2012-13. The LAO recommends that the State Legislature be cautious when considering the size of the trigger reduction, determining the specific K-14 reductions to impose in advance and designing tools to help school districts respond given the constraints they face in making midyear adjustments.

The 2012-13 Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2012-13 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2012-13 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2012-13 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Similar legislation has been enacted for fiscal year 2011-12. The legislation, sets forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of $1.4 billion are deferred and the October 2011 payment of $2.4 billion is deferred. In September 2011, $700 million of the July deferral is to be paid, in January 2012, $4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, $1.4 billion is to be deferred and paid in April 2012. The District is authorized to temporarily borrow from among its other funds to cover its annual cash flow deficits and, as a result of this legislation, the District expects to increase the size of its cash flow borrowings in fiscal year 2011-12.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2011-12 and in future fiscal years. Continued State budget shortfalls in fiscal year 2011-12 and future fiscal years could have a material adverse financial impact on the District.

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in Fiscal Year 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. The California Redevelopment Association (CRA) and several local redevelopment agencies sued the State over this latter diversion, and the lawsuit was decided against the redevelopment agencies on May 1, 2010.

Passage of Proposition 22 (and of Proposition 1A before it) will generally have the effect of constricting State funding for education by reducing the State's options for enhancing its revenues.

In the summer of 2011, the State Legislature enacted two measures intended to stabilize school funding by reducing or eliminating the diversion of property tax revenues from school districts to the State's redevelopment agencies. The California Redevelopment Association and other interested parties challenged the measures in court on the basis (among others) that they ran afoul of Proposition 22. On December 29, 2011, the California Supreme Court largely upheld the measure dissolving California redevelopment agencies. Pursuant to the measure, unencumbered balances of redevelopment agency funds must be remitted to the county auditor-controller for distribution to cities, the county, special districts, and school districts in proportion to what each agency would have received absent the redevelopment agencies. Proceeds from redevelopment agency asset sales likewise must go to the county auditor-controller for similar distributions. All tax increment revenues that would have gone to redevelopment agencies must be deposited in a local trust fund administered by each county, from which moneys will go first to pay administrative costs, pass-through payments, and enforceable obligations, while any excess there above will be distributed in the same fashion as balances and assets. The District can not predict when or if the abolition of redevelopment agencies will have an effect on its finances.

District Revenues

Allocation of State Funding to Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A.").

The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as "State Aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

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

The District's 2011-12 total base revenue limit per A.D.A. is budgeted to be $6,526, compared to $6,382 for 2010-11. The District's recent A.D.A. history for kindergarten through grade 12 (K-12), including special education and excluding charter schools, is set forth in the table below:

Oakland Unified School District
Total K-12 Average Daily Attendance (P-2)

Fiscal Year	Average Daily Attendance
2000-01	49,349
2001-02	48,135
2002-03	46,290
2003-04	44,037
2004-05	41,942
2005-06	38,667
2006-07	37,424
2007-08	36,698
2008-09	36,389
2009-10	36,477
2010-11	36,359
2011-12	36,359

Source: District P-2 ADA report.

In its 2011-12 adopted budget, the District estimates that it will receive approximately $186.3 million in aggregate revenue limit income, or approximately 45% of its general fund revenues. This amount represents a slight decrease from the approximately $193.6 million that it received in Fiscal Year 2010-11. For a discussion of the recent historical trend of declining A.D.A., see "Charter Schools" below. Other State revenues are budgeted to be approximately $119.3 million which includes $5.49 million (or about 1.3% of the total general fund revenue) from state lottery funds which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A.

Certain adjustments have been or may have to be made throughout the year based on actual State funding and actual attendance. The District cannot make any predictions regarding what additional cuts or enhancements to education funding during Fiscal Year 2011-12 the state may make. District funding depends directly on ADA, and so the District must project an ADA in order to prepare its budget. However, the projected ADA does not predict actual enrollment or attendance, and the District can not predict how actual P-2 ADA may vary from its budgeted projection.

Local Sources of Education Funding

Local Property Taxes

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

The District is a "revenue limit district." Local property tax revenues account for approximately 35.3% of the District's aggregate revenue limit income, and are expected to be $13.4 million, or 16.0% of total general fund revenue in Fiscal Year 2011-12. Property tax levy and collection procedures are discussed under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Tax Rates, Levies, Collections and Delinquencies" in the front portion of this Official Statement. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Parcel Tax

In 1996, voters in the District approved a qualified special tax (parcel tax) of $75 per parcel for five years with a 77.8% passage rate. The parcel tax was set to expire in 2001.

On November 6, 2001, voters in the District approved a qualified special tax (parcel tax) of $123 per parcel for five years. Tax proceeds were authorized to be used to reduce class sizes, improve teacher salaries, purchase textbooks and materials, improve math, science, fine arts programs and libraries, improve safety and provide resources for underachieving students in district programs, and provide job training. An exemption was provided for qualifying low-income parcel owners. The parcel tax was set to expire on June 30, 2007.

On March 2, 2004, voters in the District approved an increase and extension of the parcel tax, to $195 per parcel, beginning on July 1, 2004, and expiring on June 30, 2009. The measure authorizes the parcel tax to be used to attract and retain qualified credentialed teachers, to maintain elective courses for students needing to qualify for college admission, to purchase textbooks and materials, to maintain libraries, music and arts programs, to maintain reduced class sizes, and to continue after-school academic programs. No moneys are authorized to be used for administrative costs.

In February 2008, voters in the District approved a permanent parcel tax measure, authorizing the $195 per parcel tax with no sunset provision. The permanent parcel tax generates approximately $20 million annually.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Under State law, school districts are required to adopt their audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year. The Controller [is currently] auditing the District's financial statements for the Fiscal Years 2010-11. Upon completion of the audited financial statements for Fiscal Years 2010-11 by the Controller and the acceptance thereof by the District, such audited financial statements will be submitted to the MSRB pursuant to Rule 15c2-12 of the Securities and Exchange Commission and the District's outstanding continuing disclosure commitments. See "OTHER LEGAL MATTERS – Continuing Disclosure" in the front portion of this Official Statement.

The District is currently appealing findings made by the Controller with respect to the District's audited financial statements for Fiscal Years 2007-08. See "Other Audits; Audit Findings" below.

Pending Audits of District Financial Statements

The District expects the State Controller to begin an audit of the District's financial statements on or around November, 2011, and expects to complete the audit to be available on or around [May], 2012. The District has not yet engaged the Controller or an independent auditing firm to perform audits of its financial statements for Fiscal years 2008-09 and 2009-10, and can not predict when or if it will do so.

Other Audits; Audit Findings

State Controller's Fiscal Year 2003-04 Audit. The District received the Controller's audit report for Fiscal Year 2003-04 on November 15, 2005. The Controller did not express an opinion on the District's financial statements or accompanying schedule of revenues and expenditures. The Controller identified 58 findings, including questioned costs that the District may have been required to repay. The District appealed 15 of the apportionment-significant findings representing approximately $7.5 million. As a result of the appeals process, the District resolved all findings and was found to have an audit liability of $887,029, which the District has paid.

State Controller's Fiscal Year 2004-05 Audit. The District received the Controller's audit report for Fiscal Year 2004-05 on October 26, 2006. The Controller did not express an opinion on the District's financial statements or accompanying schedule of revenues and expenditures. The Controller identified 58 findings, including questioned costs that the District may be required to repay. The District has appealed three of the apportionment-significant findings representing approximately $7.9 million, and as a result of the appeals process, the District was found to have an audit liability of approximately $642,000. Because the District did not receive the Fiscal Year 2004-05 Audit until after the end of Fiscal Year 2005-06, several of the audit findings contained in the Fiscal Year 2003-04 Audit are also contained in the Fiscal Year 2004-05 Audit.

State Controller's Fiscal Year 2005-06 Audit. The Controller issued an audit of the District's Fiscal Year 2005-06 financial reports on July 23, 2008. The Controller did not express an opinion on the financial statements or accompanying schedule of revenues and expenditures, and changes in fund balance-budget and actual-general fund and on the combining statements-nonmajor funds. The Controller made 12 findings in its audit report, representing potential financial liabilities in the amount of approximately $25 million. The District appealed these findings, and as a result of the appeals process, the District has resolved findings representing approximately $24 million. The State Administrator paid $100,099 to the State Department of Finance from the second draw-down of the State Loan after a credit of $700,000 was applied (which reflected unreported attendance), and thereby resolved all outstanding pending fines with regards to Fiscal Years 2004-05 and 2005-06.

State Controller's Fiscal Year 2006-07 Audit. The Controller issued an audit of the District's Fiscal Year 2006-07 financial reports on October 20, 2009. The Controller did not express an opinion on the financial statements or accompanying schedule of revenues and expenditures, and changes in general fund balance (budget and actual) and on the combined statements of non-major funds. The Controller made 41 findings in its report representing potential financial liabilities in the amount of approximately $3.55 million. The District has since paid $153,070 to the State Department of Finance. Approximately $3.4 million of potential pending fines remain in dispute.

State Controller's Fiscal Year 2007-08 Audit. The Controller was not engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Fiscal Year ending June 30, 2008. As such, the Controller did not express an opinion on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District for the Fiscal Year ending June 30, 2008. However, the Controller noted that the district's reported cash level did not include an estimated cash overstatement and payroll liability understatement totaling $14.6 million, in addition to a negative fund balance in the self-insurance fund of approximately $18.4 million.

Independent Review and Reconciliation of Cash. The Controller has disclaimed its opinions on the District's financial statements for each of the Fiscal Years 2002-03 through 2007-08 primarily due to the District's cash not being reconciled. On May 28, 2008, the then-State Administrator authorized an independent public accounting firm to complete a review of the District's cash for all funds from July 1, 2002 through June 30, 2008. The independent review determined that cash in the General Fund of the District was overstated by approximately $5.6 million, and that the Payroll Liabilities Fund of the District is understated by approximately $9 million. In 2009 – 2010, the District used funds set aside from the State Loan drawdown to make the necessary adjustment to cash to reconcile their financial reports.

Further Information. Copies of the prior fiscal years audits are available upon request from the District (or on the District's website). See "MISCELLANEOUS – Additional Information" above.

District Budget Process and County Review

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

Under current law, a school district governing board must adopt and file with the County Superintendent of Schools a tentative budget by July 1 of each fiscal year. The District is under the jurisdiction of the Alameda County Superintendent of Schools. The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that *will meet* its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed *unable to meet* its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that *may not meet* its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The 2011-2012 State Budget also makes a one-time change to the A.B. 1200 (see "−District Budget Process and County Review" below) financial reporting process by requiring K-12 districts to adopt a one-year budget for Fiscal Year 2011-2012 and not the standard current budget plus two subsequent years. It further specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled). The District's 2003 financial troubles were discovered by virtue of the County review of the District's interim budgets, and thanks to this Discovery the District was able to take action to prevent further deterioration of its financial condition.

The District's Fiscal Year 2011-12 First Interim Budget Report was certified "qualified" as well as its all of its Interim Budgets from Fiscal Years 2010-11 and 2009-10. The County Superintendent approved the District's initial 2010-11 and 2011-12 adopted budgets. The ongoing qualified certification of the District's Interim Budgets is due to uncertainty regarding the District's audits (discussed above); the District projects that it will be able to meet its financial obligations for the remainder of the fiscal year and the subsequent two fiscal years.

District Expenditures

The following tables summarize the District's audited, unaudited actual, estimated actual and budgeted general fund revenues, expenditures and fund balances for Fiscal Years 2004-05 through 2011-12.

Oakland Unified School District
2004-05 through 2009-10 General Fund
Revenues, Expenditures and Fund Balances

	2004-05 Audit Report[1]	2005-06 Audit Report[5]	2006-07 Audit Report[3]	2007-08 Financial Report in Audit Format[4]	2008-09 Unaudited Actuals	2009-10 Unaudited Actuals
Revenue/Receipts						
Revenue Limit Sources:						
State Aid	$171,725,204	$138,609,752	$148,944,301	$151,247,151	$141,954,221	$103,954,199
Property Taxes	49,657,323	80,278,161	73,137,244	67,505,980	79,642,616	80,373,158
Federal Revenue	63,059,605	54,252,134	55,031,665	55,707,311	71,071,643	66,020,348
Other State Revenue	98,180,051	90,966,870	121,731,032	127,726,899	119,894,264	116,394,120
Other Local Revenue	27,916,014	37,066,041	41,515,272	43,485,410	39,320,738	38,090,254
TOTAL	410,538,197	401,172,958	440,359,516	445,672,753	451,883,482	587,833,979
Expenditures/Disbursements						
Certificated Salaries	167,711,134	160,880,528	164,546,462	166,777,106	166,342,435	164,664,034
Classified Salaries	53,699,468	53,567,939	56,407,440	62,234,921	63,555,815	64,825,232
Employee Benefits	75,916,983	73,980,483	76,107,094	79,538,657	80,427,679	85,081,360
Books and Supplies	27,697,790	23,347,681	29,583,940	35,184,146	24,076,894	19,766,167
Services/Other Operating Expenditures	61,776,102	68,707,758	76,032,058	95,176,061	87,293,752	77,590,604
Capital Outlay	330,472	2,146,710	2,427,876	3,543,018	1,633,615	836,153
Other Outgo	8,171,512	12,167,653	25,861,097	14,623,769	15,291,685	14,993,179
Transfers of Direct/Indirect Support Costs	(1,552,332)	(2,582,119)	(2,486,612)	(2,785,690)	(2,178,642)	(1,974,673)
Debt Service	3,683,691	3,891,347				
TOTAL	397,434,820	396,107,980	428,479,357	454,291,990	436,443,236	425,609,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,103,377	5,064,978	11,880,158	(8,619,237)	2,087,757	(22,103,436)
OTHER FINANCING SOURCES/ (USES)						
Transfers In/ Other Sources	2,312,425	2,303,484	40,077,384	6,853,098	8,969,414	26,853,656
Transfers Out/ Other Uses/ Contributions	(4,830,834)	(4,648,585)	(36,384,258)	(3,306,725)	1,512,456	13,147,846
State Emergency Apportionment Loan						
TOTAL	(2,518,416)	(2,345,101)	3,693,126	3,546,373	10,481,870	14,196,501
Revenues/Other Sources Over (Under) Expenditures/Other Uses	10,584,961	2,709,877	15,573,285	(5,072,863)	1,095,411	460,691
FUND BALANCE, BEGINNING OF YEAR	11,844,825	20,187,739	25,222,049	42,433,160	41,544,882	50,244,933
Adjustments/Restatements	(2,242,350)	2,314,733	1,687,826	4,184,585		
FUND BALANCE, END OF YEAR	20,187,436	25,222,049	42,433,160	41,544,881	50,244,933	28,588,180

[1] State Controller's Audit Report for Fiscal Year 2003-04, dated October 2005.
[2] State Controller's Audit Report for Fiscal Year 2004-05, dated January 2007.
[3] State Controller's AUdit Report for fiscal year 2006 – 2007, dated October 2009.
[4] Unaudited Financial Report for Fiscal Year 2007 – 2008, dated July 2011, prepared by the District

Oakland Unified School District
2010-11 and 2011-12 General Fund
Budgeted Revenues, Expenditures and Fund Balances

	2010-11 Unaudited Actuals[(1)]	2011-12 First Interim Report[(1)]
Revenue/Receipts		
Revenue Limit Sources:		
State Aid	128,948,012	120,519,377
Property Taxes	62,724,132	65,776,142
Federal Revenue	66,389,646	69,844,976
Other State Revenue	122,213,844	119,300,011
Other Local Revenue	40,532,096	36,460,620
TOTAL	615,362,195	411,902,127
Expenditures/Disbursements		
Certificated Salaries	155,893,025	152,508,549
Classified Salaries	61,401,143	59,185,849
Employee Benefits	84,434,532	82,832,383
Books and Supplies	17,895,127	36,517,318
Services/Other Operating Expenditures	80,923,933	77,149,398
Capital Outlay	224,000	584,780
Other Outgo	13,652,226	9,527,225
Transfers of Direct/Indirect Support Costs	(1,473,091)	(1,453,662)
TOTAL	413,924,472	416,851,841
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,765,578	(4,949,714)
OTHER FINANCING SOURCES/ (USES)		
Transfers In/ Other Sources	6,909,002	7,345,050
Transfers Out	4,836,024	3,416,198
Other Uses/ Contributions	450,000	450,000
TOTAL		
Revenues/Other Sources Over (Under) Expenditures/Other Uses	2,522,977	4,378,852
FUND BALANCE, BEGINNING OF YEAR	28,588,180	38,304,011[(2)]
Adjustments/Restatements	0.00	0.00
FUND BALANCE, END OF YEAR	38,304,011	37,733,150

(1) Excerpted from the District's Fiscal Year 2011-12 First Interim Report, adopted on December 14, 2011.

(2) [Explain why beginning fund balance doesn't match previous year's ending fund balance.]

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

In its 2011-12 budget, the District projects that it will expend $294,526,781 in salaries and benefits, or approximately 71% of its general fund expenditures. This amount represents an decrease of approximately one and a half percent from the $299,437,342 the District expended in 2010-11.

Of the District's approximately 5,000 employees, approximately 3,973 employees are represented by various labor organizations as shown in the table below. The remainder are not represented by any formal bargaining unit. The District has either open contracts or reopeners regarding wages with all bargaining units. All units also negotiate health benefits collectively, which has been year to year since fiscal year 2008-09. Evaluation, work hours and transfers are also significant issues with the Oakland Education Association ("OEA") and United Administrators of Oakland Schools. Since the District's negotiations and ultimate imposition of terms and conditions on OEA in 2010, no changes in wages have been successfully bargained by any unit.

Oakland Unified School District
Labor Organizations

Labor Organization	Number of FTE Employees	Contract Expiration
American Federation of State, County and Municipal Employees, Local 257	583[α]	6/30/2014
Building & Construction Trades Council of Alameda County	79[β]	6/30/2009
Oakland American Federation of Teachers, Local 771	22[β]	6/30/2011
Oakland Child Development Paraprofessional Association[*]	95[α]	
Oakland Education Association	2,073[γ]	6/30/2008
Service Employees International Union, Local 1021	771[α]	6/30/2012
Brotherhood of Teamsters, Local 853 & Local 70	46[β]	6/30/2008
United Administrators of Oakland Schools, AFL-CIO, Local 83	304[β]	6/30/2009

[*] OCDPA is represented by the SEIU, although as a separate bargaining unit.
[α] Contract is currently closed.
[β] Contract is currently open.
[γ] Contract was imposed.

Retirement Systems. The District participates in the State Teachers' Retirement System ("STRS") for all full-time and some part-time certificated employees. Each school district is required by statute to contribute 8.25% of eligible employees' salaries to STRS on a monthly basis. Employees are required to contribute 8% of eligible salary. The State is required to contribute as well. The District's employer contribution to STRS was $13,031,624 for Fiscal Year 2010-11 and is budgeted at $12,256,157 in Fiscal Year 2011-12.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. The District was required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For Fiscal Year 2010-11, the contribution percentage was 10.707%; for Fiscal Year 2011-12, the contribution rate is 10.923%. In Fiscal Year 2010-11, the total contribution was $7,123,899, compared to a budgeted Fiscal Year 2011-12 expense of $7,254,530.

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

The District contributes to the Public Agency Retirement System (PARS), a plan that covers part-time, seasonal, and temporary employees and all employees not covered by another retirement system. All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions. PARS is a defined contribution plan qualifying under 401(a) and 501 of the Internal Revenue Code.

Contributions of 3.75% of covered compensation of eligible employees are made by the District, and each employee contributes an additional 3.75%. The District's annual contribution to PARS is approximately $_____.

Post-Employment Benefits: The District offers health insurance, dental care and vision benefits only to certain retirees who participated in early retirement incentive programs. The retirees must meet certain age and service requirements for eligibility. Such benefits are authorized through various District health collective bargaining agreements. Annual premiums are based on rates set by the health carriers with whom the District contracts. The amount of the District's contribution towards such annual premiums per retiree is determined according to the collective bargaining agreements. The District recognizes the cost of providing those benefits and related administrative costs when paid. As of June 30, 2011 there were approximately 5 retirees receiving benefits. Such payments for retired employees totaled $92,000 during the year ended June 30, 2011.

Accrued Vacation and other Obligations: The District had accumulated unpaid employee vacation time valued at $5,556,733 as of June 30, 2011. Sick leave benefits are not recognized as a liability; however the District does allow sick leave to count for service credit in calculation of retirement benefits for certain STRS and CalPERS employees.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 2% of its total general fund expenditures, based on total student attendance. For Fiscal Year 2011-12, the District has budgeted to maintain the required 2% reserve. In addition, the District maintains a reserve for various designations and unexpected costs, budgeted at $12 million.

As a condition to receiving State modernization or construction funds, the District also agrees to fund a restricted maintenance reserve account in the General Fund each year for 20 years of at least 3% of its general fund budget. As a result of 2008-09 State budget legislation, the District is only required to fund the maintenance reserve to 1% of its total expenditures for the five-year period 2008-09 through 2012-13. The District has budgeted a maintenance reserve contribution in Fiscal Year 2011-12 of over 2%.

Insurance, Risk Pooling and Joint Powers Arrangements

The District participates with other Alameda County school districts in the Schools Excess Liability Fund (SELF) joint powers agreement. SELF provides the District with excess workers' compensation and excess general liability insurance. The District pays premiums commensurate with the level of coverage requested. The excess workers' compensation policy was purchased with a self-insured retention amount of $250,000 per occurrence and coverage for individual claims to the statutory maximum per occurrence. The excess liability policy was purchased with a self-insured retention amount of $25,000,000 per occurrence and coverage for individual claims to $14,000,000 per occurrence.

The District participates in a joint venture under a joint powers agreement with the Schools Association for Excess Risk (SAFER) for property insurance. The SAFER property insurance coverage limit is $250,000,000 per occurrence with a self-insured retention of $250,000. During Fiscal Year 2009-10, the District has budgeted for payment of premiums of approximately $2.4 million for property insurance coverage.

The Oakland/Alameda Regional Occupation Program (ROP) was formed by a joint powers agreement between the District and the Alameda Unified School District (the participant districts). The ROP is governed by an appointed board of directors and is an entity separate and distinct from each of the participant districts. The purpose of the ROP is to provide entry-level occupational training to youths and adults residing in the participant districts. The ROP is funded by State apportionment monies based on average daily attendance reported to the State by each participant district. Apportionment monies are received from the State by the participant districts and transferred to the ROP. The ROP has no fixed assets and no employees. The participant districts allocate actual certificated and classified salaries, employee benefits, and indirect costs to the ROP.

The District participates in the Chabot Observatory and Science Center (COSC), a joint powers authority established to provide quality science education to members of the Oakland community. The joint powers board consists of the District, the East Bay Regional Parks District, and the City of Oakland. Each member has three representatives on the board, which governs the management and financing of the COSC.

Charter Schools

Thirty-two charter schools serving grades K-12 operate within the District with District-granted charters. In addition, there are five charters granted by the ACOE. Total charter school enrollment is estimated to be 9,780, as of the Fiscal Year 2011-12. Charter schools receive revenues from the State and from the District for each student enrolled, and thus cause a reduction in revenues available for students enrolled in District schools. However, certain per-pupil expenditures of the District also decrease based upon the number of students enrolled in charter schools. The District is required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

Fiscal Year	Total charter school attendance (P-2 ADA)
1999-00	1,088
2000-01	1,145
2001-02	1,469
2002-03	2,088
2003-04	2,710
2004-05	3,917
2005-06	6,137
2006-07	6,611
2007-08	7,066
2008-09	7,423
2009-10	XXX
2010-11	8,928
2011-12*	9,780

* Projected, 95% of enrollment projection

District Debt Structure

Tax and Revenue Anticipation Notes. The District has not issued Tax and Revenue Anticipation Notes (TRANs) since Fiscal Year 2001-02. No notes are currently outstanding. For Fiscal Year 2011-12, the District does not expect to issue TRANs.

State of California Emergency Apportionment Loan. On May 30, 2003, the Governor approved S.B. 39, which provided an emergency apportionment loan to the District of up to $100,000,000 as a floating line of credit, to be drawn as the State Administrator and FCMAT jointly determine is needed to meet District obligations, including operating costs. The District has drawn the entire authorized amount of the loan. The legislation requires the District to repay the loan over a 20-year term, commencing at the time of origination of the loan, with interest, determined at a rate of 1.778%.

Refunding of State Emergency Apportionment Loan. In December 2005, the Infrastructure Bank issued its State School Fund Apportionment Lease Revenue Bonds, Series 2005 (the "2005 Emergency Apportionment Refunding Bonds"), the proceeds of which were used in part to repay to the State's general fund the then-outstanding amount of the District's emergency apportionment loan, and convert that loan into a lease-financing obligation of the District. At that time, the District had only drawn down $65 million, of which $59,481,707 was outstanding. In 2008, the 2005 Emergency Apportionment Refunding Bonds were refunded through the issuance of the Infrastructure Bank's State School Fund Apportionment Lease Revenue Refunding Bonds, Series 2008 in the amount of $59,565,000 (the "2008 Emergency Apportionment Refunding Bonds"). The District is required to make rental payments to the Infrastructure Bank on identified property of the District. The District's rental payments secure and are used to pay the District's portion of the Infrastructure Bank's bonds. The District's obligation to make the rental payments is identical to the scheduled debt service payments on the refunded portion of the emergency apportionment loan. Payments are made directly by the State from funds intercepted from the State's monthly apportionments to the District. The net annual payment is $3,890,534. The portion of the State Loan that was not converted to a lease revenue bond ($35 million) continues to be repaid directly to the State. The annual payment is $2,094,903. The amount outstanding is $27,370,459.

General Obligation Bonds. The District was authorized by its voters at an election held on November 8, 1994 to issue bonds of the District in an aggregate principal amount not to exceed $169,730,000 to repair, renovate, acquire, and construct school facilities. All of the bonds authorized by the 1994 election have been issued. The following table shows bonds issued and outstanding, as of December 1, 2011. None of the original bond series are outstanding.

Series Name	Initial Principal	Outstanding Principal	Year of Issue
Series A	$30,515,639.50	$0.00	1995
Series B	9,999,977.00	0.00	1997
Refunding Series C	35,961,738.10(1)	0.00	1998
Series D	5,999,276.75	0.00	1998
Series E	10,000,000.00	0.00	1999
Series F	75,000,000.00	0.00	2000
Series 2001	38,215,106.75	0.00	2001
TOTAL	$205,691,738.10(1)	$0.00	
Total counting toward authorization:	$169,730,000.00(1)		

(1) Refunding bond principal not counted against voted authorization.

The District received a second authorization at the March 7, 2000 election to issue $303,000,000 in general obligation bonds. All of the bonds authorized by the 2000 election have been issued. The following table shows bonds issued and outstanding, as of August 1, 2012

Series Name	Initial Principal	Outstanding Principal	Year of Issue
Series 2001	$61,999,893.25	$0.00	2001
Series 2002	100,000,000.00	92,145,000.00	2002
Series 2005	141,000,000.00	128,695,000.00	2005
TOTAL	$302,999,893.25	220,840,000.00	

On August 1, 2007, the District issued $199,240,000 in general obligation refunding bonds, of which $180,880,000 are outstanding as of December 1, 2011. The particular election year, series, and principal amounts of the bonds refunded are set forth below.

Election Year	Series Name	Principal Refunded
1994	Series B	$3,470,566.90
1994	Series C (CIB)	27,045,000.00
1994	Series C (CAB)	5,550,617.80
1994	Series D	3,155,747.90
1994	Series E	8,970,000.00
1994	Series F	56,565,000.00
1994/2000	Series 2001	89,335,000.00

The District received a third authorization at the June 6, 2006 election to issue up to $435,000,000 in general obligation bonds. The following table shows bonds issued and outstanding, as of July 1, 2009.

Series Name	Initial Principal	Outstanding Principal	Year of Issue
Series 2006	$130,000,000.00	$113,800,000.00	2006
Series 2009A	$87,885,000.00	87,885,000.00	2009
Series 2009B	$70,795,000.00	70,795,000.00	2009
Series 2009C	$26,320,000.00	26,320,000.00	2009
Total	$315,000,000.00	298,800,000.00	

Voter-approved bonds are payable from an unlimited *ad valorem* property tax authorized to be levied by the County as necessary to repay the amounts coming due in each year. The District general fund is not pledged to repayment of these bonds. See "THE BONDS - Annual Debt Service" in the front portion of this Official Statement for a description of principal and interest owed on all bonds outstanding.

The District has no other debt outstanding.

Capital Financing Plan

The District continues to implement an ongoing educational facilities modernization, renovation and construction program financed primarily through the issuance of its general obligation bonds. Through the program, the District undertakes capital projects such as the modernization of sites, replacement of portable schools, addition of new classrooms and small school sites, demolition of portable classrooms, and other projects enumerated in the District's facilities master plan (the "Facilities Master Plan"), [adopted by the State Administrator on February 8, 2006.][To be updated if a more current FMP exists.] The District plans to spend approximately $____ million in Fiscal Year 2011-12 and an additional $___ million through 2015-16. Sources of funds for the current capital projects include proceeds of the general obligation bonds, as well as State and local revenues.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's bonds under the March 7, 2000 election falls within the exception for bonds approved by two-thirds vote. However, the tax for payment of the District's bonds under the June 6, 2006 election falls within the exception for bonds approved by 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than two percent, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State

Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. However, the State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service."

"Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

In Fiscal Year 2010-11, the District had an appropriations limit of $383,804,945 and appropriations subject to the limit of $224,484,512. For Fiscal Year 2011-12, the District budgeted an appropriations limit of $393,438,449.

Future Initiatives. Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

COUNTY OF ALAMEDA
INVESTMENT POLICIES AND PRACTICES
DESCRIPTION OF INVESTMENT POOL

The following information has been supplied by the Alameda County Treasurer-Tax Collector (the "Treasurer"). Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. All questions related to the County Treasury and the investment practices of the Treasurer should be directed to the Treasurer at the following address: 1221 Oak Street, Room 131, Oakland, California, 94612-4685.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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