

15

INDENTURE OF TRUST

Dated as of December 1, 2008

between the

PERALTA COMMUNITY COLLEGE DISTRICT

and

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

Relating to

\$ _____
Peralta Community College District
2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds

TABLE OF CONTENTS

APPENDIX A DEFINITIONS
APPENDIX B FORM OF BOND

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") dated as of December 1, 2008, is between the PERALTA COMMUNITY COLLEGE DISTRICT, a community college district duly organized and existing under the laws of the State of California (the "District"), and DEUTSCHE BANK NATIONAL TRUST COMPANY, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

BACKGROUND:

1. The District is obligated by contract to pay health care benefits for certain retired District employees (the "Retiree Health Benefit Obligations").

2. In order to refund the Retiree Health Benefit Obligations, the District has previously issued its \$153,749,832.25 aggregate principal amount of Peralta Community College District Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the "2005 Bonds") under an Indenture of Trust dated as of December 1, 2005, as amended, between the District and Deutsche Bank National Trust Company, as trustee.

3. The principal of and interest on the 2005 Bonds are payable from any source of legally available funds of the District, including amounts on deposit in the General Fund of the District.

4. The 2005 Bonds have been determined to be the legal, valid and binding obligations of the District by judgment of the Alameda Superior Court rendered on November 7, 2005 in *Peralta Community College District v. All Persons Interested, etc.*, Case No. RG 05-2288682.

5. The District wishes at this time to refund a portion of the outstanding 2005 Bonds, consisting of those 2005 Bonds which mature on August 1 in each of the years 2009, 2010 and 2015 (the "Refunded 2005 Bonds"), in order to re-structure the indebtedness represented thereby and to avoid the conversion of certain of the Refunded 2005 Bonds to auction rate securities on August 5, 2010.

6. In order to provide the amounts required to refund the Refunded 2005 Bonds, the District has determined to issue its \$_____ aggregate principal amount of Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law") and under Resolution No. _____ adopted by the Board of Trustees of the District on October 14, 2008.

7. The District has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the District, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the District, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

AGREEMENT:

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The District has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The District hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$_____ under the Refunding Bond Law for the purposes of providing funds to refinance the Refunded 2005 Bonds as provided herein and in the Refunding Instructions. The Bonds are designated the "Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds".

SECTION 2.02. *Terms of the Bonds.* The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date and mature on November 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
---	-----------------------------------	--------------------------------

Interest on the Bonds is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

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

SECTION 2.03. *Redemption of Bonds.*

(a) No Optional Redemption. The Bonds are not subject to redemption prior to their respective stated maturities.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the District to the Trustee).

Sinking Fund
Redemption Date
(November 1)

Principal Amount
To Be Redeemed

(c) Notice of Redemption. The Trustee on behalf and at the expense of the District will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any

defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

(d) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

(e) Partial Redemption of Bonds. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the District will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the District, the Trustee shall cancel and destroy all Bonds redeemed under this Section 2.03.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds will be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the District and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds

to be redeemed if the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the District of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee will become the Nominee hereunder for all purposes; and upon receipt of such a notice the District will promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District will execute and deliver to such Depository a letter representing such matters as necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District will thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District may notify the

Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District will cooperate with the Depository in taking appropriate action (a) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (b) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as a Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on that Bond and all notices with respect to that Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chancellor shall execute, and the Clerk of the Board of Trustees shall attest each Bond. Any or all of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on a Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. A Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of that Bond are the proper officers of the District, duly authorized to execute debt instruments on behalf of the District, although on the date of that Bond any such person was not an officer of the District.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.06. Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The District will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Bonds under this subsection (b). The District will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.06, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the District. The Trustee will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If a Bond is mutilated, the District, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the District. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and are equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS;

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the District shall execute and deliver Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* Upon receipt of the proceeds of the Bonds on the Closing Date, the Trustee shall deposit the proceeds into a special fund to be held by the Trustee and known as the Bond Proceeds Account, to be applied as follows:

- (a) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (b) The Trustee shall transfer the amount of \$_____ in the Reserve Account, being the full amount of the Reserve Requirement.
- (c) The Trustee shall transfer the amount of \$_____, constituting the remainder of the proceeds of sale of the Bonds, to the 2005 Bond Trustee for the purpose of refunding the Refunded 2005 Bonds in accordance with the Refunding Instructions.

After making the foregoing transfers, the Trustee shall close the Bond Proceeds Account.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund," to be held by the Trustee. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the District stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the District; in each case together with a statement or invoice for each amount requested thereunder. On March 1, 2009, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund.

SECTION 3.04. *Validity of Bonds.* The validity of the authorization and issuance of the Bonds is not dependent upon the expenditure of the proceeds thereof to refund the 2005 Refunded Bonds, or upon the performance by any person of its obligation with respect to the refunding of the 2005 Refunded Bonds.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* The obligations of the District under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the District to make the deposits required hereunder for the security of the Bonds, are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the District to make payments on the Bonds constitute an indebtedness of the District, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, this Indenture constitutes a contract between the District and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the District are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

SECTION 4.02. *Debt Service Fund; Transfer of Amounts to Trustee.* There is hereby established a separate fund to be known as the "Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Bond Owners. The Trustee will hold the Debt Service Fund for the uses and purposes set forth herein, so long as any of the Bonds remain Outstanding. The District will transfer an amount of legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the District will transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the District will transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds, including the principal amount of the Term Bonds which are subject to mandatory

sinking fund redemption on that date under Section 2.03(b). The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof and the principal of the Term Bonds upon the mandatory sinking fund redemption thereof.

- (c) Reserve Account. If the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the District of that fact. Promptly upon receipt of any such notice the District will transfer to the Trustee an amount of legally available funds sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. The Trustee will withdraw and apply amounts in the Reserve Account for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date which the interest on or principal of the Bonds is due and payable, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, the Trustee will withdraw any amount in the Reserve Account in excess of the Reserve Requirement on (A) the first Business Day of the month preceding each Interest Payment Date and deposit such amount in the Interest Account, or (B) if earlier, on the day that the Bonds are partially defeased or redeemed, so long as the balance in the Reserve Account following such release is at least equal to the Reserve Requirement computed following such defeasance or redemption.

SECTION 4.03. *Investment of Moneys in Funds.* The Trustee shall invest moneys in the funds and accounts established and held by it hereunder in Permitted Investments specified in the Request of the District (which Request will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any direction from the District concerning the investment of amounts held by the Trustee hereunder, the Trustee shall invest any such amounts solely in Permitted Investments described in subsection (c) of the definition thereof.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in this Indenture the District is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder will be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the District. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically

waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

SECTION 5.01. *Punctual Payment.* The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of this Indenture. The District shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Budget and Appropriation of Debt Service.* The District covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the District under Section 4.02, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. The covenants on the part of the District herein contained constitute duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Indenture agreed to be carried out and performed by the District.

SECTION 5.03. *Extension of Payment of Bonds.* The District may not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and if the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest are not entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the District to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 5.04. *Books and Accounts; Financial Statements; Additional Information.* The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect), the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The District will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year.

The District will furnish a copy of such statements upon reasonable request to the Trustee and any Bond Owner. The Trustee has no duty to review any such financial statement.

SECTION 5.05. *Continuing Disclosure.* The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section 5.05.

SECTION 5.06. *Protection of Security and Rights of Owners.* The District shall preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the District shall not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.07. *Further Assurances.* The District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Bond Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) The District may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time (A) the Trustee ceases to be eligible in accordance with subsection (e) of this Section 6.01, (B) becomes incapable of acting, (C) is adjudged a bankrupt or insolvent, (D) a receiver of the Trustee or its property is appointed, or (E) any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The District may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the District will appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District will mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall:

- be a company or bank having trust powers,
- have a corporate trust office in the State of California,
- have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and

- be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company is deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The District shall maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the District.

(b) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the

Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the District's payment of principal and interest on the Bonds, the District's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.05 and may rely conclusively on the Certificate of the District accompanying such financial statements to establish the District's compliance with its financial covenants hereunder.

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

SECTION 6.04. *Right to Rely on Documents.* The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report,

opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the District.

SECTION 6.05. *Preservation and Inspection of Documents.* The Trustee shall retain in its possession all documents received by it under the provisions of this Indenture, which are subject during normal business hours, and upon reasonable prior written notice, to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the District shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture.

The District further covenants to indemnify the Trustee and its officers, directors, agents and employees, against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the District under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the District at

reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the District, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended by the District and the Trustee upon Request of the District at any time by the execution of a Supplemental Indenture, with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of that Bond;
- (ii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in this Indenture; other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (ii) to provide additional security for the Bonds; or
- (iii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the District deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the District and the Trustee.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the District may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the District, as to such amendment or modification and in that case upon demand of the District the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the District may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the District the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII do not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the District and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the District by the Trustee; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an Event of

Default if the District institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The District commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

SECTION 8.02. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Trustee has the right, at its option and without any further demand upon or notice to the District, to take any one or more of the following actions:

(a) Acceleration of Maturities. The Trustee may declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the respective rates of interest borne by those Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon.

(b) Actions at Law or in Equity. The Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the District under this Indenture.

SECTION 8.03. *Notice of Event of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice must also state whether the principal of the Bonds has been declared to be or have immediately become due and payable as provided in Section 8.02(a). With respect to any Event of Default described in Section 8.01(a) or (b), the Trustee shall, and with respect to any Event of Default described in Section 8.01(c) the Trustee in its sole discretion may, also give such notice to the Bond Owners in the same manner as provided herein for notices of redemption of the Bonds, which must include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under Section 8.02 (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

SECTION 8.04. *Application of Funds Upon Event of Default.* All of the sums in the funds and accounts established and held by the Trustee hereunder upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.05. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, with the consent or at the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.06. *Limitation on Owners' Right to Sue.* No Owner of a Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.07. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay from any source of legally available funds of the District, the principal of and interest on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Refunding Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.08. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact,

subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section 8.08, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.09. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Refunding Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, gives any person other than the District, the Trustee and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the District are for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the District or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the District pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal and interest;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or

- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the District, and notwithstanding that any such Bonds have not been surrendered for payment, all obligations of the Trustee and the District under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the District to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the District to compensate and indemnify the Trustee under Section 6.06.

The District must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the District.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section 9.03, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the District.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the District unless the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the District is individually or personally liable for the payment of the principal of or interest on the Bonds. However, nothing contained herein relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The District will pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Notices.* All written notices under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice is effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the District:

Peralta Community College District
333 East Eighth Street
Oakland, California 94606
Attention: Chancellor
Phone: (510) 466-7204
Fax: (510) 835-4078

If to the Trustee:

Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco California 94111
Attention: Trust & Securities Services
Phone: (415) 617-2872
Fax: (415) 617-4270

SECTION 9.09. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Indenture. The District and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds irrespective of the fact that any one or more Sections,

paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest on and principal of such Bonds have become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of and interest on such Bonds.

SECTION 9.11. *Execution in Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the PERALTA COMMUNITY COLLEGE DISTRICT has caused this Indenture to be signed in its name by its Chancellor and attested to by its Clerk of the Board of Trustees, and DEUTSCHE BANK NATIONAL TRUST COMPANY, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**PERALTA COMMUNITY COLLEGE
DISTRICT**

By _____
Chancellor

Attest:

Clerk of the Board of Trustees

**DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Trustee**

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations issued by public agencies.

"Bond Year" means any twelve-month period beginning on November 2 in any year and extending to the next succeeding November 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on November 1, 2009.

"Bonds" means the Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds issued by the District in the aggregate principal amount of \$ _____ under the Refunding Bond Law and this Indenture.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Certificate of the District" means a certificate in writing signed by the Chancellor or the Vice Chancellor for Budget and Finance, or any other officer of the District duly authorized by the District for that purpose.

"Closing Date" means December __, 2008, being the date on which the Bonds are delivered by the District to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2005 Refunded Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2005 Refunding Bonds.

"Debt Service Fund" means the fund by that name established and held by the Trustee under Section 4.02.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the Peralta Community College District, a community college district organized and existing under the laws of the State of California.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

"Indenture" means this Indenture of Trust between the District and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the District, and who, or each of whom: (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

"Information Services" means Financial Information, Inc.'s Financial Daily Called Bond Service; Standard & Poor's J.J. Kenny Information Services; Moody's Municipal and Government; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District designates in a Certificate of the District delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee under Section 4.02(a).

"Interest Payment Date" means May 1, 2009, and each May 1 and November 1 thereafter so long as any of the Bonds remain unpaid.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.08, or at such other or additional offices as may be specified by the Trustee in writing to the District.

"Original Purchaser" means _____, as original purchaser of the Bonds upon the negotiated sale thereof.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the District hereunder.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; and (iv) consolidated system-wide bonds and notes of the Farm Credit System.
- (c) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAm-G or AAm, and (if rated by Moody's) a rating by Moody's of Prime-1 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation, issued by banks having reported capital and surplus of at least \$15 million.
- (g) Commercial paper having original maturities of not more than 27 days, rated "Prime-1" by Moody's and "A-1+" or better by S&P.

- (h) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at last "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured obligation debt is so rated.
- (i) Direct general short-term obligations of any state or state agency or subdivision or agency thereof described in paragraph (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's.
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.
- (k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

"Principal Account" means the account by that name established and held by the Trustee under Section 4.02(b).

"Record Date" means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

"Refunded 2005 Bonds" means the 2005 Bonds maturing on November 1 in each of the years 2009, 2010 and 2015.

"Refunding Bond Law" means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended.

"Refunding Instructions" means the Irrevocable Refunding Instructions dated the Closing Date, given by the District to the 2005 Bond Trustee relating to the advance refunding and defeasance of the Refunded 2005 Bonds.

"Registration Books" means the records maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

"Request of the District" means a request in writing signed by the Chancellor, Chancellor or the Vice Chancellor for Budget and Finance of the District, or any other officer of the District duly authorized by the District for that purpose.

"Reserve Account" means the account by that name established and held by the Trustee under Section 4.02(c).

"Reserve Requirement" means, as of the date of calculation, an amount equal to the lesser of (a) one-half of the maximum amount of principal of and interest on the Bonds coming due and payable in the current or any future Bond Year, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption in such Bond Year, or (b) the amount of \$_____, being 5% of the aggregate original principal amount of the Bonds.

"S&P" means Standard & Poor's Corporation, of New York, New York, and its successors.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered by the District to the Trustee.

"Supplemental Indenture" means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered into between the District and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Term Bonds" means the Bonds maturing on November 1, 20__.

"Trustee" means Deutsche Bank National Trust Company, as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

"2005 Bond Indenture" means the Indenture of Trust dated as of December 1, 2005, between the District and the 2005 Bond Trustee, authorizing the issuance of the 2005 Bonds.

"2005 Bond Trustee" means Deutsche Bank National Trust Company, as trustee for the 2005 Bonds under the 2005 Bond Indenture, or any successor thereto appointed as trustee in accordance with the provisions of Article VI of the 2005 Bond Indenture.

"2005 Bonds" means the Peralta Community College District Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds issued by the District in the aggregate principal amount of \$153,749,832.25 under the 2005 Bond Indenture.

San Francisco, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the District designated as the "Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds" (the "Bonds") of an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law") and under an Indenture of Trust dated as of December 1, 2008, between the District and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the District under a resolution adopted by the Board of Trustees of the District on October 14, 2008. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto and to the Refunding Bond Law for a description of the terms on which the Bonds are issued, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the District to refinance outstanding obligations of the District. This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from any source of legally available funds of the District.

The rights and obligations of the District and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds are not subject to optional redemption prior to their respective stated maturities.

The Bonds maturing on November 1, 20___, are Term Bonds which are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following table; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the foregoing optional redemption provisions, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in

integral multiples of \$5,000 (as set forth in a schedule provided by the District to the Trustee).

Sinking Fund
Redemption Date
(November 1)

Principal Amount
To Be Redeemed

As provided in the Indenture, the Trustee is required to mail notice of redemption of any Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for prepayment or the cessation of accrual of interest thereon. Any notice so given by the Trustee with respect to the optional redemption of Bonds may be rescinded under the circumstances and with the effect set forth in the Indenture. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon will cease to accrue from and after the date fixed for redemption.

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in San Francisco, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the PERALTA COMMUNITY COLLEGE DISTRICT has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chancellor and to be attested to by the facsimile signature of its Clerk of the Board of Trustees, all as of the Original Issue Date specified above.

**PERALTA COMMUNITY COLLEGE
DISTRICT**

By _____
Chancellor

Attest:

Clerk of the Board of Trustees

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**DEUTSCHE BANK NATIONAL TRUST
COMPANY,**
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

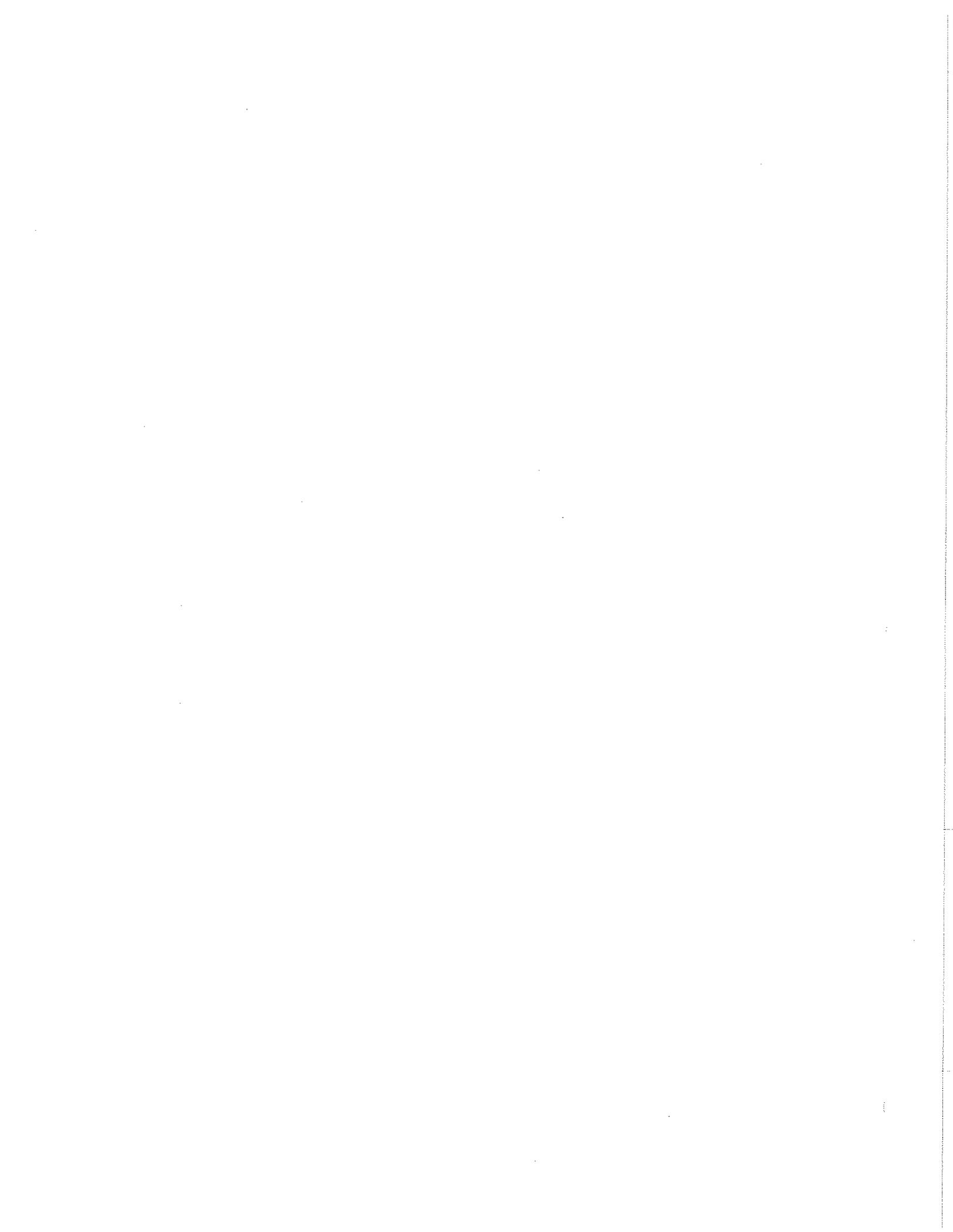
For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) _____ and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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



RESOLUTION NO. 08/09-20**RESOLUTION OF THE BOARD OF TRUSTEES OF THE
PERALTA COMMUNITY COLLEGE DISTRICT APPROVING
THE FORM OF PRELIMINARY OFFICIAL STATEMENT AND
INDENTURE OF TRUST RELATING TO THE 2008 TAXABLE
OPEB (OTHER POST-EMPLOYMENT BENEFIT) REFUNDING
BONDS OF THE DISTRICT**

WHEREAS, the Peralta Community College District (the "District") is obligated to pay retiree health care benefits for certain current District employees and retired District employees (the "Retiree Health Benefit Obligations"); and

WHEREAS, in order to refund the Retiree Health Benefit Obligations, the District has previously issued its \$153,749,832.25 aggregate principal amount of Peralta Community College District Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the "2005 Bonds") under an Indenture of Trust dated as of December 1, 2005, as amended, between the District and Deutsche Bank National Trust Company, as trustee; and

WHEREAS, at its meeting on October 28, 2008, the Board of Trustees of the District adopted its Resolution No. 08/09-10 authorizing the issuance and sale of 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds in the principal amount of not to exceed \$55 million (the "Refunding Bonds") for the purpose of refunding certain maturities of the 2005 Bonds; and

WHEREAS, the Board of Trustees has been presented with the forms of the Preliminary Official Statement and the Indenture of Trust relating to the Refunding Bonds, and wishes to take action at this time approving said documents;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Peralta Community College District as follows:

Section 1. Approval of Preliminary Official Statement. The Board of Trustees hereby approves, and hereby deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Refunding Bonds in substantially the form presented to the Board members, together with any additions thereto or changes therein approved by the Chancellor or the Vice Chancellor for Finance and Administration (each, an "Authorized Officers"), whose execution thereof shall be conclusive evidence of such approval. An Authorized Officer is hereby authorized to execute an appropriate certificate stating the Board of Trustees' determination that the Preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the Preliminary Official Statement by Stone & Youngberg LLC, as underwriter of the Refunding Bonds (the "Underwriter") is hereby approved.

Section 2. Preparation and Distribution of Final Official Statement. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to the Preliminary Official Statement as required to cause it to be put into final

form, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Trustees hereby authorizes the distribution of the Final Official Statement by the Underwriter. The Final Official Statement shall be executed in the name and on behalf of the District by an Authorized Officer.

Section 3. Approval of Indenture of Trust. The Board of Trustees hereby approves the Indenture of Trust relating to the Refunding Bonds, in substantially the form presented to the Board members, together with any additions thereto or changes therein approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of such approval. An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the District to execute and attest the final form of the Indenture of Trust. The Board of Trustees hereby authorizes the delivery and performance of the Indenture of Trust.

Section 4. Effect on Prior Resolution. Resolution No. 08/09-10, adopted by the Board of Trustees on October 28, 2008, authorizing the issuance and sale of the Refunding Bonds and approving related financing documents, shall remain in full force and effect. Nothing in this Resolution is intended or shall be construed to modify any of the provisions contained in Resolution No. 08/09-10 with respect to the issuance and sale of the Refunding Bonds or the approval of the related financing documents and official actions with respect to the Refunding Bonds.

Section 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

I hereby certify that the foregoing Resolution was passed and adopted by the Board of Trustees of the Peralta Community College District at a regular meeting thereof duly held on November 18, 2008, by a majority vote of all of its members.

Adopted by the following votes:

AYES:

NOES:

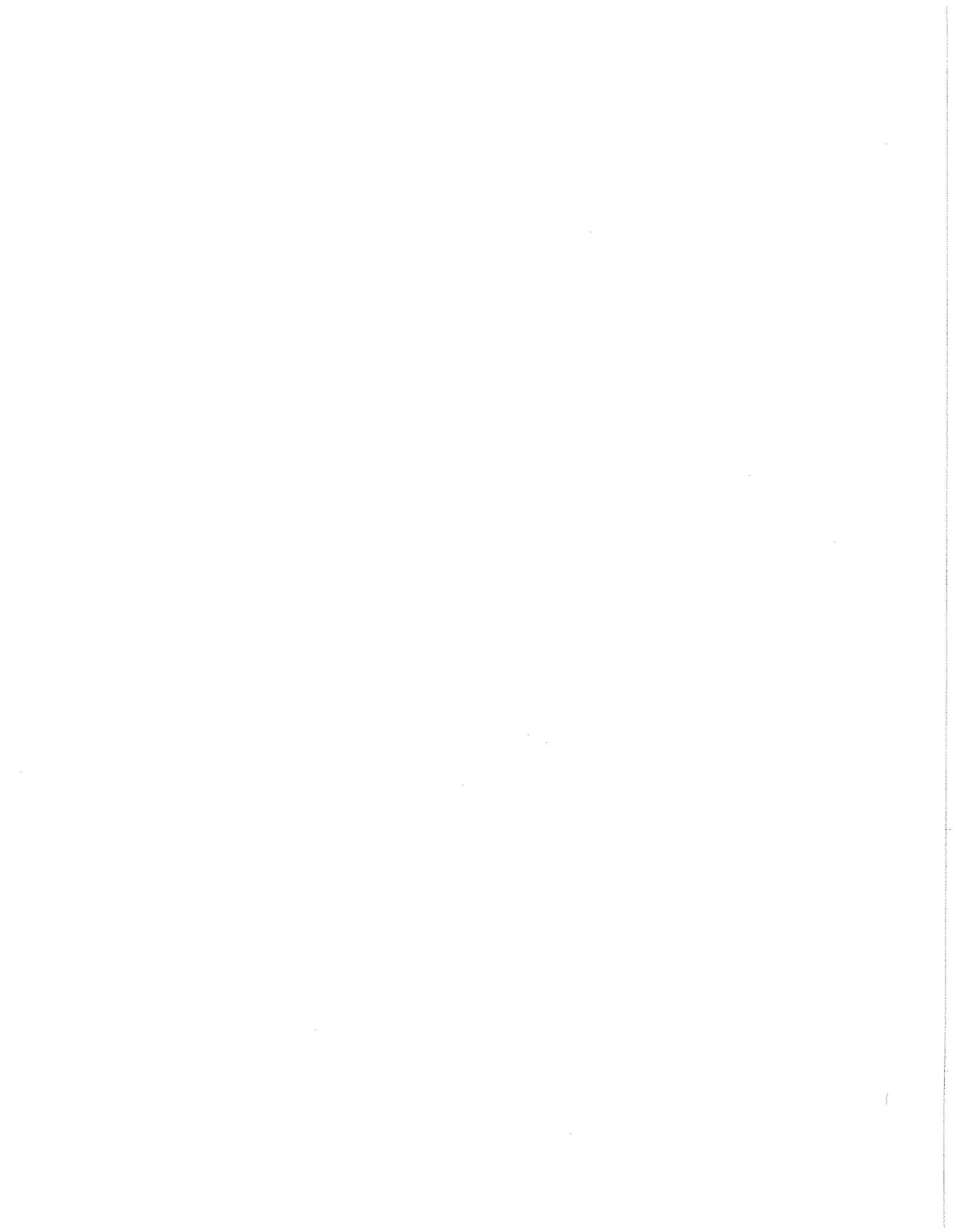
ABSENT:

**BOARD OF TRUSTEES OF THE
PERALTA COMMUNITY COLLEGE
DISTRICT**

By _____
President

ATTEST:

Clerk of the Board



PRELIMINARY OFFICIAL STATEMENT DATED _____, 2008

NEW ISSUE--BOOK ENTRY ONLY

Ratings: Moody's: "____"
S&P: "____"

(See "RATINGS" herein)

In the opinion of Jones Hall, a Professional Law Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings, and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is exempt from State of California personal income tax. Interest on the Bonds is not excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein.

\$ _____*

**PERALTA COMMUNITY COLLEGE DISTRICT
2008 TAXABLE OPEB
(OTHER POST-EMPLOYMENT BENEFIT)
REFUNDING BONDS**

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

Issuance. The Peralta Community College District (the "District") is issuing its 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the "Bonds") pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code and an Indenture of Trust (the "Indenture") dated as of December 1, 2008, between the District and Deutsche Bank National Trust Company, as trustee (the "Trustee").

Purpose. The Bonds are being issued by the District for the purpose of (i) refinancing a portion of the District's outstanding Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the "Refunded Bonds"), (ii) establishing a reserve account for the Bonds, and (iii) paying the costs of issuing the Bonds, all as further described herein.

Book-Entry Only. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. Payments of the principal of and interest on the Bonds will be made by the Trustee to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Payments. Interest on the Bonds accrues from the dated date and is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2009. The principal due on the Bonds will be paid on November 1, in the years shown on the inside cover hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS – General" herein.

Redemption. The Bonds are not subject to optional redemption. The Bonds are subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption of the Bonds" herein.

MATURITY SCHEDULE
(See inside front cover)

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. The purchase of the Bonds involves various investment risks discussed throughout this Official Statement, including the risks discussed in "RISK FACTORS" herein. The Bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. The Bonds do not constitute an indebtedness of the District, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to an approving legal opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Jones Hall is also acting as Disclosure Counsel to the District. Edwards Angell Palmer & Dodge, New York, New York, is serving as counsel to the Underwriter. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, on or about December _____, 2008.

Dated: _____, 2008

*Preliminary; subject to change.

STONE & YOUNGBERG

MATURITY SCHEDULE

Base CUSIP^(†): _____

\$ _____ * Bonds

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP(†)</u>
2009				
2010				
2011				
2012				
2013				
2014				
2015				

[†] Copyright 2008, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.
*Preliminary, subject to change.

PERALTA COMMUNITY COLLEGE DISTRICT

District Board of Trustees

Cy Gulassa, *President*
Nicky González-Yuen, *Vice President*
Abel Guillén, *Member*
Linda Handy, *Member*
Marcie Hodge, *Member*
Dr. William "Bill" Riley, *Member*
Bill Withrow, *Member*
Yvonne Thompson, *Student*
Nicole Tobor, *Student*

District Administration

Elihu M. Harris, *Chancellor*
Thomas L. Smith, *Vice Chancellor for Finance and Administration*
Gary Yee, *Interim Vice Chancellor for Educational Services*

SPECIAL SERVICES

Financial Advisors

Dale Scott & Co. Inc.
San Francisco, California

Pineapple Group LLC
Sacramento, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Underwriter's Counsel

Edwards Angell Palmer & Dodge
New York, New York

Trustee

Deutsche Bank National Trust Company
San Francisco, California

Verification Agent

Causey, Demgen & Moore
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such act. The Bonds have not been registered or qualified under the securities laws of any state.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
General	1
Purpose	1
The District	1
The Bonds	1
Security for the Bonds	1
Forward-Looking Statements	2
Summaries Not Definitive	2
THE REFUNDING PLAN.....	3
ESTIMATED SOURCES AND USES OF FUNDS.....	3
THE BONDS.....	4
General	4
Redemption of the Bonds.....	4
Book Entry System	5
DEBT SERVICE SCHEDULE	6
SECURITY FOR THE BONDS	6
General	6
RISK FACTORS.....	7
Limitation of Remedies	7
Revenue Sources to Pay the Bonds.....	7
State Funding	8
Appropriation Risk.....	8
Changes in Law	8
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	9
Article XIII A.....	9
Article XIII B.....	9
Proposition 6	11
Right to Vote on Taxes Initiative - Proposition 21	11
Future Initiatives.....	13
VALIDATION	13
THE DISTRICT.....	13
General Information	13
Governance	14
Enrollment	15
Employee Relations.....	15
Pension Plans	16
Post-Retirement Benefits	16
FINANCIAL INFORMATION	17
Budget Process	17
Financial and Accounting Information	19
General Fund Revenues and Expenditures.....	20
State Budgets.....	20
Principal Sources of Revenues.....	22
State Assistance	23
Assessed Valuation	26
Indebtedness of the District.....	30
LITIGATION.....	32
FINANCIAL STATEMENTS.....	32
CONTINUING DISCLOSURE	32
TAX MATTERS	32
ERISA CONSIDERATIONS	33

APPROVAL OF LEGALITY	34
RATINGS	35
FINANCIAL ADVISOR.....	35
UNDERWRITING	35
MISCELLANEOUS.....	35
APPENDIX A - GENERAL ECONOMIC INFORMATION REGARDING THE COUNTY OF ALAMEDA.....	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2006-07	B-1
APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D - FORM OF FINAL OPINION OF BOND COUNSEL.....	D-1
APPENDIX E - BOOK ENTRY PROVISIONS	E-1
APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1

OFFICIAL STATEMENT

\$ _____ *

PERALTA COMMUNITY COLLEGE DISTRICT 2008 TAXABLE OPEB (OTHER POST-EMPLOYMENT BENEFIT) REFUNDING BONDS

INTRODUCTORY STATEMENT

General

This Official Statement, including the cover and the appendices attached hereto (the "Official Statement"), provides certain information concerning the 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the "Bonds") issued by the Peralta Community College District (the "District"), in an aggregate principal amount of \$ _____. The Bonds will be issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2, Title 5 of the Government Code of the State of California and an Indenture of Trust (the "Indenture") dated as of December 1, 2008, between the District and Deutsche Bank National Trust Company (the "Trustee").

Purpose

The Bonds are being issued by the District for the purpose of (i) refinancing a portion of the District's outstanding Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the "Refunded Bonds"), and (ii) establishing a reserve account for the Bonds, and (iii) paying the costs of issuing the Bonds, all as further described herein. The Refunded Bonds are being refunded for the purpose of converting the Refunded Bonds to a fixed interest rate and to restructure the District's payment obligations with respect thereto.

The District

The Peralta Community College District (the "District") was formed in 1964, is located in the County of Alameda (the "County"), covers approximately 78 square miles and has a student enrollment of approximately 19,704 in 2008-09. The District has a total Fiscal Year 2008-09 general fund budget of approximately \$125.7 million.

The Bonds

The Bonds, when delivered, will be in book-entry form and registered in the name of the partnership nominee of The Depository Trust Company ("DTC"). The Bonds are being issued in denominations of \$5,000 or any integral multiple thereof. The Bonds are not subject to optional redemption prior to maturity. See "THE BONDS" and "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Security for the Bonds

The Bonds are not subject to the debt limitations of the California Constitution, and the District is obligated to satisfy its obligations under the Bonds from any money lawfully available

in any fund of the District. The Bonds are not limited as to payment to any special funds of the District, including the General Fund of the District. The obligation of the District to make payments with respect to the Bonds is not secured by a pledge of or lien on any funds of the District.

The Indenture provides that the District is obligated to deposit or cause to be deposited with the Trustee, not later than five (5) days prior to each Interest Payment Date, unless such day is not a Business Day, in which case such deposit shall be made on the next preceding Business Day, the aggregate amount of principal of and interest on the Bonds coming due and payable on such Interest Payment Date. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. The District has covenanted to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the District under the Indenture, and to make the necessary annual appropriations for all such payments, and if any such payment requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same.

The Bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the District to pay the principal or redemption price of or interest on the Bonds constitutes an indebtedness of the District, the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement regarding the financial position, capital resources and status of the District are Forward-Looking Statements. Although the District believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the District (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the District are expressly qualified in their entirety by the Cautionary Statements.

Summaries Not Definitive

Brief descriptions and summaries of the Bonds and the Indenture follow in this Official Statement and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Trustee and, during the offering period, from the Underwriter. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for summaries of certain of such definitions. Copies of the documents described herein will be available at the office of the Chancellor, Peralta Community College District, 333 East Eighth Street, Oakland, CA 94606.

THE REFUNDING PLAN

A portion of the proceeds of the Bonds will be used for the purpose of refunding those maturities of the 2005 Bonds identified below (the "Refunded Bonds"):

<u>2005 Refunded Bonds Maturity Date</u>	<u>Principal Amount Redeemed</u>	<u>Redemption Date</u>	<u>CUSIP</u>
August 1, 2009			713580AD0
August 1, 2010			713580AE8
August 5, 2015		August 5, 2010	713580AF5

The Refunded Bonds are being refunded for the purpose of converting the Refunded Bonds to a fixed interest rate and to restructure the District's payment obligations with respect thereto. Concurrent with the issuance of the Bonds, the District will execute Irrevocable Refunding Instructions, dated as of December 1, 2008 (the "Refunding Instructions") and deliver such instructions to Deutsche Bank National Trust Company, as trustee for the Refunded Bonds (the "Prior Bond Trustee"). A portion of the proceeds from the sale of the Bonds, along with certain proceeds relating to the Refunded Bonds, will be deposited in the escrow fund (the "Escrow Fund") established under the Refunding Instructions. Amounts deposited into the Escrow Fund will be invested solely in direct, non-callable general obligations of the United States Department of the Treasury, the principal of which will be sufficient to pay the scheduled debt service on the Refunded Bonds through and including the respective redemption dates set forth in the table above. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The moneys and securities held by the Escrow Bank are pledged to the payment of the Refunded Bonds. Neither the moneys or the principal of the securities deposited with the Escrow Bank will be available for the payment of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Bonds
Total Sources of Funds

Uses of Funds:

Refunding of Refunded Bonds
Reserve Account
Costs of Issuance (1)
Total Uses of Funds

(1) Includes legal fees, Underwriter's discount, financial advisor fees, printing costs, rating agency fees and other miscellaneous expenses.

THE BONDS

General

The Bonds will be issued only in the form of fully registered Bonds without coupons. The Bonds are being issued in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated the date of delivery to the Underwriters, will mature on November 1 in the years and in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside front cover hereof. Interest on the Bonds will be paid on May 1 and November 1 of each year, commencing May 1, 2009.

The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the principal corporate trust office of the Trustee, in San Francisco, California. The interest on the Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the close of business on the 15th day of the month immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check mailed the applicable interest payment date by first class mail to such Owner at such address as appears on such registration books; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request.

The Bonds will be transferable and exchangeable as set forth in the Indenture and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book entry form only, in the denominations set forth above. See "Book Entry System" herein. All payments of interest other than on the Maturity Date (as shown on the cover hereof) and premium, if any, on, and of principal upon redemption of, the Bonds will be paid through DTC in accordance with its normal procedures, which as of the date hereof provides for payment by DTC to the Participants (as defined in "APPENDIX E - BOOK ENTRY PROVISIONS") in same-day funds. Payment of the principal and interest on the Bonds on the Maturity Date will be made through DTC upon the presentation and surrender of the Bonds.

Redemption of the Bonds

Optional Redemption. The Bonds are not subject to redemption at the option of the District prior to their respective stated maturities.

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1, 20____ (the "Term Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following table.

Year
(November 1)

Principal
Amount

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds of a maturity are to be redeemed, the Bonds to be redeemed shall be selected by lot in such manner as determined by the Trustee; provided, however, that the portion of any Bond to be redeemed and the portion of such Bond not to be redeemed shall both be in Authorized Denominations then applicable.

Notice of Redemption. Notice of redemption of Bonds pursuant to the provisions summarized above will be given by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the respective Owners of Bonds to be redeemed at the address shown on the registration books maintained by the Trustee for such purpose, provided, however, that failure to give such notice by mailing or a defect in the notice or the mailing as to any Bonds will not affect the validity of any proceedings for redemption as to any other Bonds for which notice was properly given to the owner thereof. Interest will not accrue after the redemption date on any Bonds called for redemption if notice has been given and if sufficient moneys have been deposited with the Trustee to pay principal of and interest on such Bonds to the redemption date.

Book Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX E - BOOK ENTRY PROVISIONS" herein.

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

DEBT SERVICE SCHEDULE

The following table sets forth the amount of debt service with respect to the Bonds for each six-month period ending on May 1 and November 1:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
-------------	------------------	-----------------	---------------------------

SECURITY FOR THE BONDS

General

The Bonds are not subject to the debt limitations of the California Constitution, and the District is obligated to satisfy its obligations under the Bonds from any money lawfully available in any fund of the District. The Bonds are not limited as to payment to any special funds of the District, including the General Fund of the District. The obligation of the District to make payments with respect to the Bonds is not secured by a pledge of or lien on any funds of the District.

The Indenture provides that the District is obligated to deposit or cause to be deposited with the Trustee, not later than five (5) days prior to each Interest Payment Date, unless such day is not a Business Day, in which case such deposit shall be made on the next preceding Business Day, the aggregate amount of principal of and interest on the Bonds coming due and payable on such Interest Payment Date. The District also agrees and covenants in the Indenture to promptly adopt a supplemental budget or appropriation if required in order to pay the principal of and interest on the Bonds.

Not later than the fifth Business Day immediately preceding each Payment Date, the District is required to transfer to the Trustee for deposit in the Interest Account and Principal Account of the Debt Service Fund established under the Indenture amounts sufficient, together with funds on deposit therein, to pay the aggregate amount of principal of and interest on the

Bonds coming due and payable on such Payment Date, including the amount of any Sinking Fund Payments.

Reserve Account

A portion of the proceeds of the Bonds will be deposited into a reserve account established for the Bonds (the "Reserve Account") which is required under the Indenture to have an amount on deposit equal to the "Reserve Requirement". The Reserve Requirement is defined in the Indenture to mean, as of the date of calculation by the District, the lesser of (i) one-half of the amount of Maximum Annual Debt Service on the Bonds, (ii) five percent of the original principal amount of the Bonds. See "APPENDIX C – SUMMARY OF LEGAL DOCUMENTS". The Trustee will withdraw and apply amounts in the Reserve Account for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date which the interest on or principal of the Bonds is due and payable, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding.

The Bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the District to pay the principal or redemption price of or interest on the Bonds constitutes an indebtedness of the District, the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation.

RISK FACTORS

The following information should be considered by potential investors in evaluating the credit quality of the Bonds. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limitation of Remedies

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against districts in the State of California (the "State"), including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of the rights of Bond Owners.

Revenue Sources to Pay the Bonds

The District receives a portion of its General Fund revenues from the collection of property taxes collected within the District. Although the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter

Plan") pursuant to which the County advances 100% of the tax levy to the participating tax entity rather than the actual tax collections, the County could discontinue such plan if the delinquency rate exceeds 3% in any Fiscal Year. However, any loss of local property tax income for the District's general operations would be made up by the State.

The District also receives a portion of its General Fund revenues from the State as allocated through a program funding formula per unit of full-time equivalent students ("FTES"). The number of FTES attending the colleges within the District is dependent upon a number of factors, including, but not limited, to the general economic conditions within the County. A substantial decline in the number of FTES could have a material adverse effect on the revenues of the District available to pay debt service on the Bonds. See "THE DISTRICT- Enrollment"

State Funding

The District receives a significant portion of its funding from the State. As a result, decreases in the revenues received by the State can affect the availability of State funds to the District and other taxing entities in the State. The potential impact of State budget actions on the District in particular, and other taxing entities in the State generally, in future fiscal years is uncertain at this time but could be materially adverse. For a discussion of the potential impact of State budget actions for Fiscal Year 2008-09 on the District in particular, and in the State generally, see "FINANCIAL INFORMATION—State Budgets."

Appropriation Risk

There are no applicable statutory provisions in the State that make payment of debt service on the Bonds a continuing appropriation of the District. The District covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the District pursuant to the Indenture, and to make the necessary annual appropriations for all such payments. If any payment of debt service on the Bonds requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. These covenants constitute duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants and agreements. See "APPENDIX C—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to pay the Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys available to pay the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Described below are certain measures which have impacted or may in the future impact the District's General Fund Budget.

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the District assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, and on bonded indebtedness for school facilities approved by 55% of the votes cast, subject to certain limitations.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services

rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the District in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the District's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

The requirements imposed by Proposition 62 were upheld by the California Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220; 45 Cal. Rptr. 2d 207 (1995). In this case, the Court held that a county-wide sales tax of 0.5% was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In La Habra, the Court held that the public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The Court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The District is of the opinion that Proposition 62 will not have a material adverse impact on any existing or future taxes, fees, or assessments collected by the District. No revenues collected by the District have been challenged under Proposition 62.

Right to Vote on Taxes Initiative - Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the District require a majority vote and taxes for specific purposes, even if deposited in the District's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the

Board of Supervisors to raise revenues for the general fund, and no assurance can be given that the District will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIII D also contains several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The District must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the District may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the District will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the District's General Fund. "Assessment," "fee" and "charge" are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would be applied to Article XIII C. If the Article XIII D definitions are not held to apply to Article XIII C, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of the District's General Fund revenues. No assurance can be given that the voters of the District will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the District require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the Board of Supervisor's flexibility to deal with fiscal problems by raising

revenue and no assurance can be given that the District will be able to raise taxes in the future to meet increased expenditure requirements.

The District has no current revenue streams that are subject to Proposition 218.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 62 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, which may place further limitations on the ability of the State, the District or local districts to increase revenues or to increase appropriations which may affect the District's revenues or its ability to expend its revenues.

VALIDATION

On August 19, 2005, the District, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the District seeking judicial validation of the transactions relating to the issuance of all of the bonds authorized under Resolution No. 05-06-08, adopted by the Board of Trustees of the District on July 28, 2005, including the Refunded Bonds and certain other matters. On November 7, 2005, the Superior Court entered a default judgment to the effect, among other things, that all of such bonds are valid, legal and binding obligations of the District in accordance with their terms and were and are in conformity with the applicable provisions of all laws. See *Peralta Community College District v. All Persons Interested, etc.*, Case No. RG 05-228682. Pursuant to California law, the period during which a notice of appeal to this judgment could have been timely filed expired on December 7, 2005 and the judgment is binding and conclusive in accordance with State law. As with any judgment, there can be no assurance that the judgment will not be challenged. In issuing its approving opinion, Jones Hall, A Professional Law Corporation, will rely, among other things, upon the above-described validation of proceedings. No such challenge has been filed, and the District is unaware of any pending challenge to this judgment. In issuing the opinion as to the validity of the Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment.

THE DISTRICT

General Information

The District was formed by vote of the electorate in the cities of Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont, California, to operate a junior college system of education, commencing July 1, 1964. As of that date the junior college program operated by the Oakland Unified School District was transferred to the Peralta Community College District. The District, including all colleges, is a non-profit public education system. It is supported principally by local property taxes and state basic equalization aid.

The District covers approximately 78 square miles, and is traversed by Interstate Highways 80, 580 and 880. Student enrollment is approximately 19,704 in 2008-09. Within the District boundaries are an international airport and a deep-water port.

The District consists of four colleges and the District Administrative Center ("DAC"). With the exception of the DAC, all of the buildings were built in the early 1970s. The DAC was constructed in 1980. The District is comprised of approximately 30 structures.

Governance

The District is governed by a Board of Trustees consisting of seven elected members and up to two students. The members are elected from specific districts within the six cities that comprise the District. The members on the Board of Trustees serve four-year staggered terms such that approximately half of the seats are open for election every two years. The Board of Trustees elects a President and Vice President annually in December. Elections are held every two years. Student trustees are elected annually by the student body at large.

The elected members of the Board of Trustees and their respective terms are as follows:

<u>Member</u>	<u>Trustee Area</u>	<u>Current Term Ends (December 31)</u>
Cy Gulassa, President	Area 6	2008
Nicky Gonzalez-Yuen, Vice President	Area 4	2008
Abel Guillen, Member	Area 7	2010
Linda Handy, Member	Area 3	2010
Marcie Hodge, Member	Area 2	2008
Dr. William Riley, Member	Area 5	2010
Bill Withrow, Member	Area 1	2008

Brief biographies of the Chancellor and Executive Staff is set forth below:

Elihu Harris, Chancellor. Mr. Harris was appointed Chancellor of the District in 2004. He is responsible for the operation, administration and organization of the District in conformity with policies established by the Board of Trustees; formulating, recommending and implementing policies to the Board of Trustees; preparing, submitting and implementing annual budgets and capital programs; maintaining programs for recruitment, selection, development, and retention of students and competent personnel; and developing, maintaining and improving the educational programs offered by the Colleges. From 1978 through 1991, Mr. Harris was a member of the California State Assembly. From 1991 to 1999, Mr. Harris served as the Mayor of the City of Oakland where he oversaw a budget of \$600 million and the restructuring of city departments and agencies. Mr. Harris holds a Master's Degree in Public Policy from the University of California, Berkeley, a Juris Doctorate from the School of Law at the University of California, Davis and is a member of the State Bar of California.

Tom Smith, Vice Chancellor for Finance and Administration. Mr. Smith was appointed a Vice Chancellor for the District in 1999. He is responsible for administration of the District's accounting, accounts payable, payroll, budget, information technology and human resources activities. In addition, Mr. Smith directs the daily business and financial operations of the District and coordinates and supervises the development of its annual budgets. Prior to joining the District he served as the chief financial officer or general counsel to the several corporations and as an adjunct professor of Finance and Accounting at Armstrong University in Oakland, California. Mr. Smith is a Certified Public Accountant, holds a Juris Doctorate degree from The John Marshall School of Law in Chicago, Illinois and is a member of the Illinois State Bar.

Thuy Thi Nguyen, Esq., General Counsel. Ms. Nguyen has served as General Counsel to the District since 2003. As General Counsel, she represents the District in litigation, arbitration, mediation and administrative proceedings and provides legal advice to the Board of Trustees and the Office of the Chancellor. Ms. Nguyen holds a degree from Yale University, a Juris Doctorate from UCLA School of Law, and is a member of the State Bar of California.

Enrollment

The District's primary source of funding is based upon apportionment received from the State. The primary basis for this apportionment is the calculation of Full-Time-Equivalent Students ("FTES"). FTES is generated at the District's four colleges: College of Alameda, Laney College, Merritt College, and Berkeley City College. Total FTES for the 2007-08 academic year was 19,260 and is estimated to be 19,645 for the 2008-09 academic year. The District expects attendance to remain stable over the next five to seven years. The table below shows the FTES for fiscal years 1998-99 through 2008-09.

**Peralta Community College District
Full-Time Equivalent Students
Fiscal Years 1998-99 through 2008-09**

Fiscal Year	Full-Time Equivalent Students
1998-99	16,679
1999-00	16,288
2000-01	16,188
2001-02	17,976
2002-03	18,937
2003-04	18,436
2004-05	18,751
2005-06	18,443
2006-07	19,058
2007-08	19,260
2008-09 ⁽¹⁾	19,645

⁽¹⁾ Estimate.
Source: Peralta Community College District.

Employee Relations

District employees are represented by three unions. The Peralta Federation of Teachers represents faculty and the AFL/CIO Local 1021 and the International Union of Operating Engineers, Local 39 represent classified employees.

**Peralta Community College District
Employees**

Employee Organization/Bargaining Unit	Number of Budgeted Positions	Contract Termination Date
Peralta Federation of Teachers	377	June 30, 2009
AFL/CIO Local 1021	351	June 30, 2009
International Union of Operating Engineers, Local 39	35	June 30, 2009

Pension Plans

The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 2005-06 was \$2,535,930, for fiscal year 2006-07 was \$2,989,855 and was \$3,117,296 for 2007-08 (unaudited). The District also contributes to the STRS cash balance plan for part-time instructors.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's contribution to PERS for fiscal year 2005-06 was \$1,863,352, for fiscal year 2006-07 was \$2,072,317 and was \$2,252,426 for fiscal year 2007-08 (unaudited). Both STRS and PERS are operated on a statewide basis.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2006-07 – Note 14 – Employee Retirement Systems" for further discussion of the STRS and PERS systems.

Post-Retirement Benefits

For employees hired prior to July 1, 2004, the District provides lifetime post-retirement health care benefits to retirees meeting plan eligibility requirements as well as their spouses and, in most cases, for dependent children (the "Tier 1 Health Benefit Employees"). The District is required to pay the costs of the post-retirement health care premiums directly to Tier 1 Health Benefit Employees or their beneficiaries. The District had been accounting for this liability on a "pay-as-you-go basis".

As of June 30, 2007, the number of active Tier 1 Health Benefit Employees was 532 and the number of retired Tier 1 Health Benefit Employees was 519.

For employees hired on or after July 1, 2004 (the "Tier 2 Health Benefit Employees"), the District is responsible only for the payment of health care benefit premiums for Tier 2 Health Benefit Employees until the age of Medicare eligibility. The survivor benefits were eliminated and surviving spouses have the option to purchase health care coverage through the District up to age 65.

As of June 30, 2005, the District's actuarial report shows the net present value of the retiree health benefit costs of the Tier 1 Health Benefit Employees ranges from \$134 million (based upon an assumed discount rate of 7%) to \$199 million (based upon an assumed discount rate of 4.5%).

In December 2005, the District issued \$153,749,832.25 Peralta Community College District Taxable 2005 Limited Obligation OPEB ("Other Post-Employment Benefit") Bonds to refinance the District's obligation to pay certain health care benefits for certain retired District employees, a portion of which are to be refunded with the proceeds of the Bonds as described herein. A portion of such bonds will be refunded from the proceeds of the Bonds. See "REFUNDING PLAN" herein.

FINANCIAL INFORMATION

Budget Process

Overview. The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The Board of Governors of the California Community Colleges imposes a uniform budgeting format for all California community college districts described below.

Community college districts in the State (other than Basic Aid districts, which the District is not) receive approximately 52% of their funds from the State, 44% from local sources, and 4% from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which is less than 3%), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

In the past, a community college district determined its revenue allocation using a program-based model. The model used different factors to establish support levels for five different categories at the community college district: (1) Instruction and Instructional Administration; (2) Instructional Services; (3) Student Services; (4) Operation and Maintenance of Plants, and (5) Institutional Support. Different standards were used in each category to determine funding requirements. The target allocation was obtained by calculating the exact cost of funding the specific standards in each category, on a district by district basis. The aggregate total of the financial needs of the five categories established the amount of funding a district received. State general fund moneys, local property taxes, and certain other local revenues were allocated to the community college districts based on annual State apportionments of basic and equalization aid to community college districts for general purposes computed up to a base revenue per unit of full time equivalent students ("FTES"). Such apportionments, generally speaking, amounted to the difference between a district's base revenue and its local property tax allocation and student enrollment fees. Base revenue calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

A bill passed the State's legislature ("SB 361"), and signed by the Governor on September 29, 2006, established a new community college funding system. The new system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors will be required to acknowledge community college districts' need to receive an annual allocation based on the

number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specifies that, commencing with the 2006-07 fiscal year the minimum funding per FTES will be: (a) not less than \$4,367 per credit FTES (subject to cost of living adjustments funded through the budget act in subsequent fiscal years); (b) at a uniform rate of \$2,626 per noncredit FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years); and (c) set at \$3,092 per FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years) for a new instructional category of "career development and college preparation." Pursuant to SB 361, the Chancellor of the California Community Colleges (the "State Chancellor") will develop criteria for one-time grants for districts that would have received more funding under the prior system or a proposed rural college access grant, than under the new system and the State Budget Act of 2006.

The District's base revenue per unit of FTES for 2005-06, 2006-07 and 2007-08 were approximately \$4,145, \$4,805 and \$5,180, respectively, and is 5,180 for 2008-09.

Local revenues are first used to satisfy District expenditures. The major local revenue source is local property taxes that are collected from within District boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the District. Property taxes and student enrollment fees are applied towards fulfilling the District's financial need. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the District. The sum of the property taxes, student enrollment fees, and State aid generally comprise the District's revenue limit.

A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

Budget Procedures. On or before September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the State Chancellor's Office of the California Community Colleges (the "California Community Colleges"), submits to the Department of Finance proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals, involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the Department of Finance makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the State Legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the State Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the

financial health of the State's community college districts. In accordance with statutory and regulatory provisions, the State Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the State Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (i) assessing the financial condition of districts through the use of various information sources and (ii) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessment each district's financial condition, the State Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the State Chancellor's Office where financial solutions to the district's problem will be addressed and implemented.

Under current law, the Board of Trustees approves a tentative budget by July 1 and an adopted budget by the first week in September of each Fiscal Year.

Audited Financial Statements. The District employs an independent certified public accountant to examine the books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds, and those of any other employees or departments as the Board of Trustees directs. These duties are performed both annually and upon request. The independent auditor for Fiscal Year 2006-07 was Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California, who are also serving as auditors for Fiscal Year 2007-08.

Financial and Accounting Information

The accounting practices of the District conform to generally accepted accounting principles in the accordance with policies and procedures of the California Community College Budget Accounting Manual. This manual, according to Section 70901 of the State of California Education Code, is to be followed by all community college districts in the State.

District revenues are recognized during the period in which they become both measurable and available to finance operations of the current fiscal period. District expenditures are reflected in the fiscal period in which the liability occurred.

District accounting is organized on the basis of governmental fund types, with each fund consisting of a separate of self-balancing accounts containing assets, liabilities and fund balances, including revenues and expenditures. The major fund classification is the General Fund, which accounts for the general operations of the District. The District's fiscal year begins on July 1 and ends on June 30.

General Fund Revenues and Expenditures

The fiscal year for the District ends on June 30. The following table summarizes the revenues, expenses and changes in net assets for the District for fiscal years 2005-06 through 2008-09.

Peralta Community College District Statements of Revenues, Expenses and Changes In Net Assets General Fund Fiscal Years 2005-06 through 2008-09

	<u>Audited</u> <u>2005-06</u>	<u>Audited</u> <u>2006-07</u>	<u>Unaudited</u> <u>2007-08</u>	<u>Budgeted</u> <u>2008-09</u>
<u>Beginning Balance</u>	\$ 9,508,981	\$ 9,114,832	\$ 16,658,132	\$ 13,676,172
<u>Revenue</u>				
Federal Revenues	3,054,008	3,722,319	2,961,247	3,250,342
State Revenues	67,048,520	84,100,018	87,650,977	85,792,374
Local Revenues	36,856,475	34,620,717	35,192,959	35,231,292
Total Revenues	<u>106,959,003</u>	<u>122,443,054</u>	<u>125,805,183</u>	<u>124,274,008</u>
<u>Expenses</u>				
Certificated Salaries	40,469,460	45,053,541	49,842,198	52,287,696
Classified Salaries	24,315,357	25,530,815	25,502,058	23,437,727
Employee Benefits	24,197,194	25,323,956	25,367,971	24,803,040
Book and Supplies	1,790,744	2,142,195	3,204,074	2,734,036
Contracts and Operating Expenses	15,166,215	15,644,806	17,541,192	18,892,068
Capital Outlay	1,447,116	1,618,561	2,952,343	1,452,375
Debt Service	0	479,332	1,111,507	1,745,323
Other Outgo	0	0	3,265,800	5,232,103
Total Expenses	<u>107,386,086</u>	<u>115,793,206</u>	<u>128,787,143</u>	<u>130,584,368</u>
Other Financing Sources and Uses	32,934	893,452	--	--
Ending Balance	\$9,114,832	\$16,658,132	\$13,676,172	\$7,365,812

Source: Peralta Community College District audited financial statements for the Fiscal Years ended June 30, 2006 and 2007; estimates provided by the District for Fiscal Years ended June 30, 2008 and 2009.

State Budgets

Currently, the majority of the District's General Fund Budget (excluding property tax) consists of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems.

The level of intergovernmental revenues that the District will receive from the State in Fiscal Year 2008-09 and in subsequent fiscal years will be affected by the financial condition of the State.

The following information concerning the State's 2008-09 Fiscal Year Budget has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The District believes such information to be reliable, however, the District takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2008-09 Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "2008-09 Budget"). The 2008-09 Budget resolves the \$24.3 billion budget deficit identified in the May Revision to the Governor's Proposed Budget. The 2008-09 Budget projects revenues of \$103.027 billion in 2007-08 and \$101.991 billion in 2008-09 (representing an increase of \$1.837 billion in 2007-08 and a decrease of \$996 million in 2008-09, compared with the May Revision). It provides a modest reserve of \$1.7 billion this year, but projects a deficit of \$1.0 billion in 2009-10. The 2008-09 Budget includes a budget reform measure (see below under "Budget Reform and State Lottery Modernization and Securitization"), which will require voter approval on the next statewide ballot after November 2008. The 2008-09 Budget holds General Fund spending to virtually no growth -- \$103.4 billion compared to \$103.3 billion in 2007-08. The 2008-09 Budget includes General Fund reductions of \$850 million (1% below amounts proposed in the budget bill adopted by the State Legislature) due to \$510 million in General Fund vetoes and \$340 million in General Fund savings due to the delay in enacting the 2008-09 Budget and the effect of an executive order which slowed or halted many activities of government during the budget impasse and resulted in the termination of temporary employees and reductions in overtime. The executive order will remain in effect for the remainder of 2008.

Community Colleges. According to the Governor's office, for the fourth year in a row, the 2008-09 Budget increases the level of investment to community colleges, by providing funding for enrollment growth (of 2%), funding to backfill property tax shortfalls (\$75 million), and continued funding for important statewide initiatives that address the nursing shortage, career technical education, and increasing success rates for students who lack adequate preparation for college-level work. In total, the 2008-09 Budget provides General Fund and Proposition 98-related increases of over \$312 million compared to 2007-08, including \$21.6 million in one-time resources from the Proposition 98 reversion account. These increases are detailed in the traditional highlights for the Community Colleges below. Student fees remain at \$20 per unit and continue to be the lowest in the nation--about 22% of the national average.

Budget Reform and State Lottery Modernization and Securitization. The 2008-09 Budget package includes legislation, if approved by the voters, that would authorize the California State Lottery to adopt changes that will help to improve its financial performance and protect education funding by increasing Proposition 98 minimum guarantee to offset the loss of lottery revenue to K-14 education in order for schools more stable and growing source of funds to replace the historically unreliable lottery revenues. Additionally, this legislation would authorize the securitization of a portion of future lottery revenues, the proceeds of which would be deposited in a Debt Retirement Fund and available to help offset future General Fund expenditures. The first \$5 billion of securitized revenue is expected to be available in 2009-10.

LAO Analysis. The California State Legislative Analyst's Office (the "LAO"), the State's nonpartisan fiscal and policy advisor, previously reported that the sluggish economy has

severely worsened the State's ongoing mismatch between revenues and spending, and in its November 2008 Budget Analysis the LAO states that the nation's worsening economic troubles have already threatened the 2008-09 Budget's viability. Many of the budget solutions are of a one-time nature. Based on the 2008-09 Budget plan's policies, therefore, the state would once again face multibillion dollar operating shortfalls in the coming years. All available solutions involve consequences and trade-offs. After the Governor's May Revision, the LAO concluded that the May Revision made overly optimistic estimates of potential growth in lottery sales and profits and that the securitization proposal would create the strong likelihood that distributions to public education from lottery revenues would fall well short of their current levels. In addition, the plan requires voter approval to bond against future lottery revenues, which may or may not pass.

Information about the State budget is regularly available at various State-maintained websites. The Fiscal Year 2008-09 State Budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future Budgets. 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 2008-09 as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

Principal Sources of Revenues

State apportionments of the District's Program-based funding are the largest single revenue source to the General Fund representing approximately 65% of Fiscal Year 2007-08 revenues; followed by property tax Program-based revenues, representing approximately 23%. Other State Revenues (which include lottery revenue, one-time Proposition 98 revenues and other one-time revenues) represent approximately 3% of General Fund revenues. See "State Budgets" for a discussion of potential State Budget impacts on General Fund Revenues and "Assessed Valuation" for a discussion of property taxes.

State Assistance

Annual State apportionments to community college districts for general purposes are allocated through a program based funding formula per unit of full-time equivalent students ("FTES"). Such apportionments will, in general, amount to the difference between a district's program based funding level and its local property tax allocation and student enrollment fees. Program based funding calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California community college districts. In November 1988, California voters approved an amendment to the California Constitution which guarantees primary and secondary education and the community college system a percentage of the state general fund budget for the 1988-89 budget year and subsequent budget years. (See Propositions 98 and 111 below).

The following table shows the District's program based funding per unit of FTES and program based funding total over the period 1995-96 through 2007-08 and as estimated for 2008-09.

Peralta Community College District Program Based Funding Fiscal Years 1995-96 Through 2008-09

<u>Fiscal year</u>	Program-Based Funding per Unit of FTES	Number of FTES	Total Program Based Funding
1995-96	\$3,287	15,472	\$50,863,785
1996-97	3,393	16,264	55,082,227
1997-98	3,624	15,813	57,306,664
1998-99	3,670	16,679	61,207,599
1999-00	3,805	16,288	61,991,239
2000-01	3,827	16,188	61,957,854
2001-02	4,181	16,218	67,805,563
2002-03	4,134	16,796	69,446,069
2003-04	4,090	16,966	69,399,455
2004-05	4,299	17,106	73,546,935
2005-06	4,145	17,717	73,173,857
2006-07	4,805	18,477	88,788,878
2007-08	5,180	19,413	93,542,115
2008-09 (1)	5,180	19,704	95,084,542

(1) Estimated using the Advanced Principal Apportionment Notice.
Source: Peralta Community College District.

Proposition 98. In November 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated

to such districts in fiscal year 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

Proposition 111. On July 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation. The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating

their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two new exceptions were added to the calculation of appropriations that are subject to the Article XIII B spending limit. First, there were excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there were excluded any increases in gasoline taxes above the then-current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which counts on raising over \$15 billion in additional taxes over the next ten years to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

State Lottery. In the November 1984 general election, the voters of the State approved a amendment to the State Constitution establishing a State lottery, the net revenues of which are used to supplement funds allocated to public education. This amendment prohibited the use of fund derived from the lottery for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Net revenues from the State lottery (gross revenues less prizes and administration expenses) are allocated by computing an amount per average daily attendance ("ADA") of full-time equivalent ("FTE"). This figure is derived by dividing the total net revenues by the total ADA for grades K-12 and the community colleges, and by the total FTE for the University of California and California State University systems. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplies by the per ADA or FTE figure. Although the allocation formula is established, the exact amount of future State lottery revenues is impossible to predict.

Assessed Valuation

Tax Levies, Collections and Delinquencies. District property taxes are assessed and collected by the County of Alameda (the "County") at the same time and on the same rolls as are County, school and special district property taxes. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the District Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) filing a certificate in the office of the District Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording in the District Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling of personal property, improvements or possessory interests belonging or assessed to the assessee.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues

attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each county to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

The following table represents a 14-year history of assessed valuations in the District. The District accounts for about 35.4% of the assessed valuations of the County in 2008-09:

**Peralta Community College District
Assessed Valuations⁽¹⁾**

Fiscal Year	District Assessed Valuations	Annual % Change	County Assessed Valuations	Annual % Change
1995-96	\$28,927,118,543	-	\$79,044,141,773	-
1996-97	29,380,113,317	1.57%	81,619,875,998	3.26%
1997-98	30,356,274,627	3.32	87,738,264,816	7.50
1998-99	31,807,925,696	4.78	94,315,425,522	7.50
1999-00	33,849,570,978	6.42	101,989,472,949	8.14
2000-01	36,684,999,664	8.38	111,751,095,065	9.57
2001-02	40,401,014,195	10.13	123,918,935,516	10.89
2002-03	43,683,167,681	8.12	130,288,254,433	5.14
2003-04	47,395,827,954	8.50	139,777,973,407	7.28
2004-05	51,186,049,358	8.00	151,394,369,806	8.31
2005-06	56,117,108,551	9.63	164,992,790,292	8.98
2006-07	61,963,026,932	10.42	178,147,517,357	7.97
2007-08	67,509,766,997	8.95	192,319,312,472	7.96
2008-09	71,319,021,824	5.64	201,569,204,979	4.81

(1) Before redevelopment increment.
Source: California Municipal Statistics, Inc.

State law allows exemptions from *ad valorem* property taxation of \$7,000 of full value of owner occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed on these exemptions. The State Constitution and various statutes provide exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, and charitable institutions.

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. Set forth in the following table is certain information regarding County's property tax collections within the District.

**Peralta Community College District
Property Taxation Collections
Fiscal Years 1995-96 through 2007-08
(\$ in thousands)**

Fiscal Year	Total Secured Tax Collected	Amount Delinquent (As of June 30)	% Delinquent as of June 30
1995-96	\$329,413,153.77(1)	\$12,634,291.33	3.84%
1996-97	328,917,294.46(1)	11,793,794.12	3.59
1997-98	350,405,929.41(1)	11,319,419.80	3.23
1998-99	1,751,559,58.00(2)	47,488.16	2.71
1999-00	1,718,692,68.00(2)	48,502.15	2.82
2000-01	2,776,279.43(2)	69,771.08	2.51
2001-02	5,964,439.92(2)	176,957.64	2.97
2002-03	7,414,384.04(2)	235,294.99	3.17
2003-04	6,967,458.57(2)	183,503.35	2.63
2004-05	9,800,651.00(2)	249,812.56	2.55
2005-06	12,359,664.10(2)	349,084.14	2.82
2006-07	15,733,876.41(2)	643,760.98	4.09
2007-08	14,096,016.91(2)	752,148.59	5.34

(1) All taxes collected by the County within the District.

(2) Debt service levy only.

Source: California Municipal Statistics, Inc.

The Teeter Plan. With respect to collection of property taxes, the County adopted the Teeter Plan, which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies, including the District, on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. Due to this method of tax collection, the District receives 100% of its total secured tax levy.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses that may occur as a result of sales of tax-defaulted property.

Principal Taxpayers. The principal taxpayers in the County, as shown on the 2008-09 secured tax roll, and the amounts of their assessed values within the County are shown in the table below.

**Peralta Community College District
Principal Taxpayers
(Fiscal Year 2008-09)**

<u>Property Owner</u>	<u>Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total (1)</u>
1. Bayer Healthcare LLC	Heavy Industrial	\$ 272,128,344	0.40%
2. NOP Watergate LLC	Office Building	248,435,688	0.37
3. Chiron Corporation	Office Building	216,387,776	0.32
4. Legacy Partners I Alameda LLC	Office Building	213,070,764	0.32
5. OCC Venture LLC	Office Building	199,325,379	0.30
6. Madison Manhattan Village LLC	Shopping Center	195,010,682	0.29
7. SIC Lakeside Drive LLC	Office Building	176,727,558	0.26
8. Kaiser Foundation Health Plan Inc.	Office Building	166,993,121	0.25
9. Oakland Property LLC	Office Building	162,302,400	0.24
10. Pixar	Commercial	157,585,605	0.23
11. Hines REIT Watergate LP	Office Building	147,832,884	0.22
12. Bay Center Investor LLC	Office Building	124,950,000	0.19
13. Catellus Development Corporation	Industrial	120,701,847	0.18
14. 1800 Harrison Foundation	Office Building	119,541,603	0.18
15. Windsor Metropolitan LP	Apartments	107,645,199	0.16
16. Brandywine Ordway LLC	Office Building	106,120,799	0.16
17. Suncal Oak Knoll LLC	Residential Land	106,002,364	0.16
18. Brandywine Webster LP	Office Building	104,244,589	0.15
19. Clorox Company	Office Building	96,305,158	0.14
20. STRS Ohio CA Real Estate Investments	Apartments	<u>97,950,484</u>	<u>0.15</u>
		\$3,139,262,244	4.65%

(1) 2008-09 local secured assessed valuation: \$67,445,255,792

Source: California Municipal Statistics, Inc.

Unitary Property. Some amount of property tax revenue of the District is derived from utility property that is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The electric utility industry within the State has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "FINANCIAL INFORMATION"

Indebtedness of the District

General Obligation Bonds. The District has outstanding general obligation bonds (collectively, the "Outstanding GO Bonds") totaling \$354,825,000 in principal amount as of November 1, 2008 (see "*Estimated Direct and Overlapping Debt*" below). The proceeds of these Outstanding GO Bonds have been used for the acquisition, construction and renovation of certain public facilities within the District, and for the refunding of prior debt. The Outstanding GO Bonds are payable from *ad valorem* taxes levied on parcels in the District, and are not payable from any funds of the District. For a brief description of each series of Outstanding GO Bonds, and their remaining debt service requirements, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2006-07 – Note 10".

Operating Leases. The District has operating leases for buildings and equipment. None of the leases has purchase options. The future minimum lease payments are shown in the following table.

Peralta Community College District Outstanding Operating Lease Obligations

<u>Year Ending June 30</u>	<u>Minimum Payment</u>
2006	\$1,378,285
2007	659,706
2008	587,744
2009	587,744
2010	<u>587,744</u>
Total	\$3,801,223

Source: Peralta Community College District.

Other Long-Term Debt. In December 2005, the District issued \$153,749,832.25 Peralta Community College District Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds, Series A and Series B1 through B6, to refinance the District's obligation to pay certain health care benefits for certain retired District employees. The final maturity date of the last of these series is August 5, 2049. In October, 2006, in order to better meet the District's cash flow needs, \$8,800,000 of the 2005 Bonds were converted to fixed rate bonds maturing on August 5, 2049. As of June 30, 2008, \$144,734,832 principal amount of the 2005 Bonds remains outstanding. The Bonds will refund three maturities of the 2005 Bonds, as described herein. See "THE REFUNDING PLAN".

Estimated Direct and Overlapping Debt. Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment.

The direct and overlapping debt of the District as of November 1, 2008, according to California Municipal Statistics, Inc., is shown in the following table. The District makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

**Peralta Community College District
Statement of Direct and Overlapping Debt**

2008-09 Assessed Valuation: \$71,319,021,824
 Redevelopment Incremental Valuation: (15,432,232,378)
 Adjusted Assessed Valuation: \$55,886,789,446

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 10/1/08</u>
Bay Area Rapid Transit District	12.566%	\$ 55,461,298
Peralta Community College District	100.000	354,825,000 (2)
Alameda Unified School District	100.000	82,645,326
Berkeley Unified School District	100.000	207,545,000
Oakland Unified School District	100.000	551,425,000
Piedmont Unified School District	100.000	44,749,934
Albany and Emery Unified School Districts	100.000	41,470,000
City of Alameda	100.000	9,775,000
City of Albany	100.000	18,550,000
City of Berkeley	100.000	61,430,000
City of Oakland	96.974	218,626,249
East Bay Municipal Utility District, Special District No. 1	92.061	29,611,421
East Bay Regional Park District	18.256	23,157,736
City of Alameda Community Facilities District Nos. 1 and 2	100.000	14,155,000
City of Berkeley Community Facilities District No. 1	100.000	7,435,000
City 1915 Act Bonds (Estimate)	100.000	47,295,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,768,156,964

<u>OVERLAPPING GENERAL FUND DEBT:</u>	<u>%</u>	<u>\$</u>
Alameda County General Fund Obligations	31.807%	\$ 146,212,962
Alameda County Pension Obligations	31.807	72,685,395
Alameda-Contra Costa Transit District Certificates of Participation	38.203	4,643,575
Peralta Community College District Benefit Obligations	100.000	144,734,832
Alameda Unified School District Certificates of Participation	100.000	1,780,000
Oakland Unified School District Certificates of Participation	100.000	76,950,000
City of Alameda Certificates of Participation	100.000	14,110,000
City of Albany General Fund Obligations	100.000	1,195,000
City of Berkeley General Fund Obligations	100.000	35,085,000
City of Berkeley Pension Obligations	100.000	3,830,000
City of Emeryville General Fund Obligations	100.000	5,705,000
City of Oakland General Fund Obligations	96.974	475,288,969
City of Oakland Pension Fund Obligations	96.974	274,150,193
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,256,370,926

COMBINED TOTAL DEBT \$3,024,527,890 (3)

- (1) Based on 2007-08 ratios.
 (2) Excludes the Bonds described herein.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:
 Direct Debt (\$354,825,000)..... 0.50%
 Total Direct and Overlapping Tax and Assessment Debt 2.48%

Ratios to Adjusted Assessed Valuation:
 Combined Direct Debt (\$499,559,832)..... 0.89%
 Combined Total Debt 5.41%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$33,574

Source: California Municipal Statistics, Inc

LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to issue and pay the Bonds. There are a number of lawsuits and claims pending against the District. Other than as described in this section and in Appendix A, the District does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the District.

FINANCIAL STATEMENTS

The comprehensive annual financial report, which contains the financial statements of the District for the year ended June 30, 2007, are included in Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co. LLP, Rancho Cucamonga, California, independent certified public accountants, as stated in their report appearing in Appendix B. Although Vavrinek, Trine, Day & Co. LLP has consented to the inclusion of its report as Appendix B, it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co. LLP with respect to any event subsequent to its report dated June 30, 2007. Copies of the audited financial statements for the District's other Fiscal Years can be obtained at the office of the Chancellor. The District anticipates that the audited financial statements for the Fiscal Year ending June 30, 2008 will be available by December 31, 2008.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than March 31 in each year commencing on March 31, 2009 with its report for the 2007/08 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed, or caused to be filed, by the District with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed, or cause to be filed, by the District with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is contained in "APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE." Failure of the District to provide the required ongoing information may have a negative impact on the value of the Bonds in the secondary market. The District has not failed to comply in all material respects with any previous undertakings with respect to said rule to provide annual reports or notices of material events.

TAX MATTERS

In the opinion of Jones Hall, a Professional Law Corporation, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as

to the exclusion from gross income for federal income taxes purposes of interest on the Bonds or regarding any other federal or State tax consequences relating to the accrual or receipt of interest on the Bonds. NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE BONDS. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto.

Although Bond Counsel has rendered an opinion that interest on the Bonds is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

ERISA CONSIDERATIONS

The discussion herein of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") is general in nature and is not intended to be all-inclusive.

Section 406 of the ERISA and Section 4975 of the Internal Revenue Code (the "Code"), prohibit employee benefit plans ("Plans") subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest") with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriter, as a result of its own activities or because of the activities of an affiliate, may be considered Parties in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Bonds are acquired by a Plan with respect to which the Underwriters or any of its affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Bond and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by "qualified professional asset managers," and transactions affected by certain "in-house asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Bond or (ii) the acquisition of such Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

APPROVAL OF LEGALITY

Certain legal matters incident to the execution and delivery of the Bonds are subject to the approving opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, as Bond Counsel. Jones Hall is also acting as Disclosure Counsel with respect to the Bonds. Bond Counsel's and Disclosure Counsel's fees are contingent on successful execution and delivery of the Bonds. Certain matters will be passed upon for the Underwriter by _____, _____, California, and for the District by its District Counsel.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, Denver, Colorado, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated receipts from the Defeasance Securities to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the 2005 Bonds being redeemed, and (b) the "yield" on the Defeasance Securities and on the Bonds considered by Bond Counsel in connection with the opinion rendered by such firm that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned their ratings of "_____" and "_____", respectively, to the Bonds. Such ratings reflect only the view of these organizations and an explanation of the significance of such rating may be obtained only from Moody's and S&P at the following addresses: Moody's Investor's Services, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISORS

The District has retained Dale Scott & Co., Inc., San Francisco, California, and The Pineapple Group LLC, Sacramento, California, as Co-Financial Advisors for the sale of the Bonds. The Co-Financial Advisors are not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Official Statement. The Co-Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading, or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg (the "Underwriter") at a price of \$ _____ (the principal amount of the Bonds less an Underwriters' discount in the amount of \$ _____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The public offering prices of the Bonds may be changed from time to time by the Underwriter without notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Indenture, the Validation Action, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the Board of Trustees of the District.

**PERALTA COMMUNITY COLLEGE
DISTRICT**

By: _____
Vice Chancellor for Finance and
Administration

APPENDIX A

GENERAL ECONOMIC INFORMATION REGARDING THE COUNTY OF ALAMEDA

The County of Alameda (the "County") is located on the east side of the San Francisco Bay, approximately ten miles west of the City of San Francisco. The District's four colleges (Berkeley City College, College of Alameda, Laney College and Merritt College) serve students at campuses in the cities of Berkeley, Oakland and Alameda. Access to San Francisco is provided by the San Francisco Bay Bridge or by several forms of public transit.

The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County to this area. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of the County.

Population

The following table lists population figures for the cities of Berkeley, Oakland and Alameda, and the County of Alameda for the last five calendar years.

COUNTY OF ALAMEDA Population Estimates Calendar Years 2004 through 2008

Calendar Year	City of Berkeley	City of Oakland	City of Alameda	County of Alameda
2004	104,130	410,989	74,296	1,495,775
2005	104,049	410,330	74,220	1,500,228
2006	105,382	411,334	74,551	1,510,303
2007	106,110	414,516	75,077	1,522,597
2008	106,697	420,183	75,823	1,543,000

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

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward Metropolitan Division was 5.5% in March 2008. This compares with an unadjusted unemployment rate of 6.4% for California and 5.1% for the nation during the same period. The unemployment rate was 5.4% in Alameda County and 5.6% in Contra Costa County.

**OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
ALAMEDA, CONTRA COSTA COUNTIES
Civilian Labor Force, Employment and Unemployment; Employment by Industry
(Annual Averages)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Civilian Labor Force (1)	1,272,800	1,259,300	1,259,700	1,265,200	1,281,500
Employment	1,188,500	1,186,400	1,196,200	1,209,700	1,220,600
Unemployment	84,300	72,900	63,500	55,500	60,900
Unemployment Rate	6.6%	5.8%	5.0%	4.4%	4.8%
<u>Wage and Salary Employment: (2)</u>					
Agriculture	2,600	1,500	1,600	1,500	1,500
Natural Resources and Mining	900	1,200	1,100	1,200	1,200
Construction	67,100	69,800	72,800	73,300	72,400
Manufacturing	98,000	98,200	95,600	95,800	93,700
Wholesale Trade	50,600	49,200	48,600	48,800	48,800
Retail Trade	110,500	110,500	112,100	113,300	113,100
Transportation, Warehousing, Utilities	36,000	34,200	34,300	35,000	36,100
Information	32,600	31,300	30,700	30,100	29,400
Finance and Insurance	49,400	49,500	50,800	49,400	45,400
Real Estate and Rental and Leasing	18,200	18,100	18,700	18,200	16,900
Professional and Business Services	144,900	147,700	150,600	154,900	155,500
Educational and Health Services	117,000	117,200	118,500	121,800	124,700
Leisure and Hospitality	80,400	80,600	83,000	85,600	87,500
Other Services	37,500	36,600	35,600	35,900	36,200
Federal Government	18,600	17,600	17,300	17,300	17,100
State Government	48,800	47,000	46,200	45,800	46,400
Local Government	115,000	115,100	116,500	118,900	123,400
Total, All Industries (3)	<u>1,028,200</u>	<u>1,025,200</u>	<u>1,033,700</u>	<u>1,046,900</u>	<u>1,049,100</u>

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The following table shows the major employers in the County as of January 2008, listed in alphabetical order.

**COUNTY OF ALAMEDA
2008 Major Employers
(Listed alphabetically)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept	Pleasanton	Sheriff
Alta Bates Medical Center Inc	Berkeley	Hospitals
Alta Bates Summit Medical Center	Oakland	Hospitals
Bay Area Rapid Transit	Oakland	Marketing Programs & Services
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Brita Water Co	Oakland	Water Companies-Bottled, Bulk, Etc
California State University	Hayward	Schools
Clorox Technical Center	Pleasanton	Commercial Physical Research
East Bay Water	Oakland	Water & Sewage Companies-Utility
Kaiser Foundation Hospital	Oakland	Hospitals
Kaiser Permanente Hospital	Hayward	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore National Lab	Livermore	Laboratories-Testing
New United Motor Manufacturing	Fremont	Automobile Parts & Supplies-Mfrs
Novartis	Emeryville	Pharmaceutical Preparation (Mfrs)
Novartis Vaccines & Diagnostics	Emeryville	Biological Products (Manufacturers)
Permanente Medical Group	Hayward	Physicians & Surgeons
Residential & Student Service Program	Berkeley	Schools-Universities & Colleges Academic
Sandia National Laboratories	Livermore	Laboratories-Research & Development
Sheriff's Officer Law Enforcement	Oakland	Sheriff
Transportation Dept-California	Oakland	State Government-Transportation Programs
U C Berkeley Extension	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospitals
Western Digital	Fremont	Telecommunications Services

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

Construction Activity

Provided below are the building permits and valuations for the County of Alameda for calendar years 2003 through 2007.

**County of Alameda
Total Building Permit Valuations
(Valuations in Thousands)**

	2003	2004	2005	2006	2007
Permit Valuation					
New Single-family	\$663,584.2	\$749,898.1	\$518,955.9	\$545,570.9	\$424,009.7
New Multi-family	316,355.6	475,595.7	482,928.9	626,797.5	315,894.0
Res. Alterations/Additions	<u>279,937.2</u>	<u>307,825.2</u>	<u>392,480.2</u>	<u>357,113.0</u>	<u>339,842.5</u>
Total Residential	\$1,259,877.0	\$1,533,319.0	\$1,394,365.0	\$1,529,481.4	\$1,079,746.3
New Commercial	144,720.4	202,774.7	199,562.0	237,780.4	219,825.1
New Industrial	36,695.1	53,262.0	55,382.4	23,350.6	65,661.4
New Other	122,627.7	100,467.3	105,370.0	93,070.1	102,269.9
Com. Alterations/Additions	<u>304,238.7</u>	<u>349,231.6</u>	<u>413,425.1</u>	<u>461,992.7</u>	<u>503,015.7</u>
Total Nonresidential	\$608,281.9	\$705,735.6	\$773,739.6	\$816,193.8	\$890,772.1
New Dwelling Units					
Single Family	2,087	2,269	1,518	1,681	1,340
Multiple Family	<u>2,433</u>	<u>3,422</u>	<u>2,898</u>	<u>4,035</u>	<u>1,911</u>
TOTAL	4,520	5,691	4,416	5,716	3,251

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the median household income for the County of Alameda, the State and the United States for the period 2003 through 2007.

**County of Alameda
Median Household Income
As of January 1, 2003 through 2007**

	2003	2004	2005	2006	2007
Alameda County	\$50,431	\$51,415	\$52,295	\$53,171	\$54,688
State of California	42,924	43,915	44,681	46,275	48,203
United States	38,201	39,324	40,529	41,255	41,792

Source: Sales & Marketing Management Survey of Buying Power for 2003 and 2004;
Claritas Demographics for 2005 through 2007.

Commercial Activity

Total taxable transactions during the first three quarters of calendar year 2007 in the County were reported to be \$19,064,873,000, a 2.5% increase over the total taxable transactions of \$18,593,973,000 reported during the first three quarters of calendar year 2006. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures are not yet available for 2007.

**COUNTY OF ALAMEDA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	19,085	\$13,375,587	41,430	\$21,264,629
2003	20,606	13,562,149	42,550	21,375,029
2004	20,800	14,343,842	42,939	22,996,365
2005	20,688	15,228,482	42,792	24,242,981
2006	20,090	15,656,414	41,951	25,223,384

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

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR 2006/07

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

December __, 2008

Board of Trustees
Peralta Community College District
333 East Eighth Street
Oakland, California 94606

OPINION: \$_____ Peralta Community College District
 2008 Taxable OPEB (Other Post-Employment Benefit)
 Refunding Bonds

Ladies and Gentlemen::

We have acted as bond counsel in connection with the issuance and delivery by the Peralta Community College District (the "District") of \$_____ aggregate principal amount of bonds of the District designated the "Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds" (the "Bonds"), issued under the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), an Indenture of Trust dated as of December 1, 2008, between the District and Deutsche Bank National Trust Company, as trustee (the "Indenture"). We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Additionally, in rendering our opinion, we are also relying upon the judgment entered by the Superior Court of the State of California for the County of Alameda on November 7, 2008, in *Peralta Community College District v. All Persons Interested, etc.*, Case No. RG 05-2288682, with respect to the bonds a portion of which are being refunded from the proceeds of the Bonds.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The District is a community college district duly organized and existing under the Constitution and laws of the State of California, with power to adopt the Resolution, to enter into the Indenture and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds constitute legal, valid and binding obligations of the District enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

BOOK ENTRY PROVISIONS

General

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Reoffering Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. 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, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to

time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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.

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

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

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

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law or, the District may terminate its participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Trustee will execute and make available for delivery, replacement Bonds in the form of registered Bonds. In addition, the following provisions would apply: the principal of and prepayment premium, if any, with respect to the Bonds will be payable at the principal corporate trust office of the Trustee, and interest with respect to the Bonds will be payable by check mailed on each Bond Payment Date to the registered Owners thereof as shown on the registration books of the Trustee as of the close of business on the Record Date immediately preceding the applicable Bond Payment Date; provided, however, that registered Owners of at least \$1,000,000 aggregate principal amount of Bonds may, at any time on or prior to such Record Date, give the Trustee written instructions for payment of such interest on the succeeding Bond Payment Date by wire transfer to the bank account number on file with the Trustee as of the Record Date before the applicable Bond Payment Date. Bonds will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement.

Transfer Fees

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Peralta Community College District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Peralta Community College District 2008 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the "Bonds"). The Bonds are being issued under an Indenture of Trust dated as of December 1, 2008 (the "Indenture"), between the District and Deutsche Bank National Trust Company, as trustee. The District covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate and not otherwise defined, the following capitalized terms have the following meanings:

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

"Dissemination Agent" means any Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. As of the date of this Disclosure Certificate, the District has not designated a Dissemination Agent.

"Internet Filing Service" means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

"Listed Events" means any of the events listed in Section 5(a).

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" means the final Official Statement, dated November __, 2008, relating to the Bonds.

"Participating Underwriter" means the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" means each National Repository and each State Repository.

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

"*State Repository*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2009, with the report for the 2007/08 Fiscal Year, provide to each Repository (or, in lieu of providing to each Repository, provide to the Internet Filing Service) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the District or the Dissemination Agent may file such notice with the Internet Filing Service.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided under this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

- (a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

- (b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing, for the prior Fiscal Year:
 - (i) the number of full-time equivalent students ("FTES");
 - (ii) pension plan contributions made;
 - (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowing;
 - (iv) a description of the general fund revenues and expenditures that have been budgeted for the current Fiscal Year, together with audited actual budget figures from the preceding Fiscal Year;
 - (v) total program-based funding, including the amount of funding per unit of FTES and the aggregate amount of funding; and
 - (vi) assessed valuation of taxable property in the District, including the assessed valuation of the top ten property owners.
- (c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Under the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with either (i) the Internet Filing Service, or (ii) the Municipal Securities

Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

Section 7. Dissemination Agent. The District may (but is not required to), from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to

investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate is an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: December __, 2008

PERALTA COMMUNITY COLLEGE DISTRICT

By: _____
Chancellor

