

PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of September 27, 2011

ITEM # 31

ITEM TITLE: Sale of 2011 OPEB Refunding Bonds

SPECIFIC BOARD ACTION REQUESTED: Approve resolution number 11/12-17, authorizing the sale of 2011 OPEB Bonds and approval of related Bond Purchase Agreement, Preliminary Official Statement, and Indenture of Trust.

ITEM SUMMARY:

At the March 29, 2011 the Board of Trustees approved 2 recommendations. The first recommendation is to restructure the near term (1 -5 years) principal and interest payment on the Other Post Employment Benefit (OPEB) Bonds. Under the current debt service schedule the District's General Fund would be obligated to pay approximately \$8 million on or before November 1, 2011. The debt service would rise annually by approximately \$1 million per year until fiscal year 2016 when it would balloon to \$19.8 million. Given the rate at which these payments would increase in addition to the cuts imposed upon the District from the State and likely of future additional cuts, General Fund relief is quickly needed to mitigate the impact of future cuts. The second recommendation is to terminate the B-1 SWAP agreement that is currently costing the District approximately \$150,000 every 5 weeks. The sale of these bonds would effectuate these recommendations.

BACKGROUND/ANALYSIS:

Recommendation 1 – Restructure the near term (1-5 years) principal and interest payments on the bonds. As it currently stands, the principal and interest payments are as follows:

Fiscal Year	Current Payment Amount
2012	\$8,104,273
2013	\$9,159,221
2014	\$10,366,629
2015	\$11,745,840
2016	\$19,823,771

Under the current program structure, these annual payments would be obligations of the General Fund. Given the rate at which the payments would increase year to year in addition to the cuts imposed upon us from the State's budget situation, General Fund relief is quickly needed. Our recommendation is to restructure the principal and interest payments over this 5 year period.

The General Fund Relief amounts would be amortized and paid over an extended 20 year period (2012-2032). Again, the intent and purpose behind this recommendation is to provide near-term operating budget relief.

Recommendation 2 – Terminate the B-1 SWAP agreement

Currently the District has 6 SWAP agreements outstanding. Each agreement matures in 5 year increments beginning in 2010. The first agreement went into effect in August of 2010 and as a result we are currently paying Morgan Stanley approximate \$154,000 every 5 weeks. The current recommendation is to terminate (buy out) this agreement. The cost of doing so is approximately \$3

million. This recommendation is also echoed by our SWAP advisor. The rationale is that the current day to day market changes in interest rates will not significantly change the approximately \$3 million cost to terminate the agreement.

ALTERNATIVES/OPTIONS:

None.

EVALUATION AND RECOMMENDED ACTION:

SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):

Fiscal impact is budgetary relief on the General Fund.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES _____ No X

COMMENTS:

Supporting materials attached:

- Resolution No. 11/12-17 – providing Board of Trustees authorization.
- Preliminary Official Statement – document required to be provided to all purchasers of the bonds.
- Bond Purchase Agreement – contract between JP Morgan (District’s underwriter) and the District setting the terms of the sale (i.e. price).
- Indenture of Trust – contract between the District and Deutsche Bank who will serve as the trustee for the transaction.

WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING? VICE CHANCELLOR GERHARD

DID A BOARD STANDING COMMITTEE RECOMMEND THE ITEM? YES _____ No X

IF "YES", PLEASE INCLUDE THAT INFORMATION IN YOUR SUMMARY.
PLEASE ACQUIRE SIGNATURES IN THIS ORDER:

DOCUMENT PREPARED BY:

Prepared by: [Signature] Date: 9/16/11
Ronald Gerhard, Vice Chancellor for Finance and Administration

DOCUMENT PRESENTED BY:

Prepared by: [Signature] Date: 9/16/11
Ronald Gerhard, Vice Chancellor for Finance and Administration

FINANCE DEPARTMENT REVIEW

Finance review required Finance review *not* required

If Finance review is required, determination is: ___ Approved ___ Not Approved

If not approved, please give reason: _____

Signature: [Signature] Date: 9/16/11
Ronald Gerhard, Vice Chancellor for Finance and Administration

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

___ Legal review required Legal review *not* required

If Legal review is required, determination is: ___ Approved ___ Not Approved

Signature: _____ Date: _____
Thuy T. Nguyen, General Counsel

CHANCELLOR'S OFFICE APPROVAL

Approved, and Place on Agenda ___ Not Approved, but Place on Agenda

Signature: [Signature] Date: 9/19/11
Wise Allen, Chancellor

**PERALTA COMMUNITY COLLEGE DISTRICT
RESOLUTION NO. 11/12-17**

RESOLUTION OF THE BOARD OF TRUSTEES OF THE PERALTA
COMMUNITY COLLEGE DISTRICT AUTHORIZING THE SALE OF 2011
TAXABLE REFUNDING OPEB (OTHER POST-EMPLOYMENT BENEFIT)
BONDS, APPROVING LEGAL DOCUMENTS IN CONNECTION THEREWITH
AND AUTHORIZING CERTAIN ACTIONS

WHEREAS, California Government Code Section 53201(a) provides that the legislative body of a local agency, which definition includes a community college district, may provide health and welfare benefits to its officers, employees, retired employees and retired members of the legislative body (the “Benefits”); and

WHEREAS, a community college district is further authorized to establish deferred compensation and pension plans for their retired employees; and

WHEREAS, California Government Code Section 53200 provides that health and welfare benefits include “hospital, medical, surgical [and] disability benefits”, as well as related benefits such as “life, legal expense, and income protection insurance or benefits, whether provided on an insurance or services basis”; and

WHEREAS, to provide these benefits legislative bodies may approve plans of their officers or employees or may contract with one or more admitted insurers, health service organizations, or legal service organizations; and

WHEREAS, the Peralta Community College District (the “District”) public retirement system was established to provide Benefits to its employees; and

WHEREAS, the Board of Trustees (the “Trustees”) of the District has negotiated certain labor contracts whereby the District is obligated to pay, as part of the Benefits, certain healthcare benefits and retirement benefits to or for retired District employees (the “Post-Employment Benefit Obligations”); and

WHEREAS, the amount of the Post-Employment Benefit Obligations is subject to fluctuation from year-to-year due to the differentiation in benefits between certain groups of employees, underlying demographic circumstances, and other factors; and

WHEREAS, in order to determine the extent of the District’s Post-Employment Benefit Obligations, the District has caused to be prepared several actuarial studies of such post-employment liabilities; and

WHEREAS, the District recognizes its duty to employees to negotiate the terms and conditions of their employment, including the provision of health benefits and that as an integral component of the employment contract, the payment of such health care benefits constitutes an outstanding obligation imposed by law on the District; and

WHEREAS, the District is authorized 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 (the “Act”), commencing with Section 53570, to issue its bonds for the purpose of refunding outstanding Post-Employment Benefit Obligations of the District; and

WHEREAS, in order to refund the Post-Employment Benefit Obligations and thereby provide a more orderly and predictable level of payments in respect of the Post-Employment Benefit Obligations, the Trustees have determined that it was in the best financial interest of the District to approve an Indenture of Trust and to issue bonds under the Act, the proceeds of which would pay Post-Employment Benefit Obligations; and

WHEREAS, on December 13, 2005, the Trustees of the District adopted its Resolution No. 05/06-28 (the “2005 Authorizing Resolution”) authorizing the issuance of bonds under the Act in the aggregate principal amount of not-to-exceed \$154,000,000 (the “2005 Bonds”); and

WHEREAS, in the action *Peralta Community College District v. All Persons Interested in the Matter Of The Issuance and Sale Of Bonds for the Purpose Of Funding Certain Obligations Owed by the Peralta Community College District ...*, the issuance of the Bonds has been validated by judgment (“Validation Judgment”) of the Alameda County Superior Court rendered on November 7, 2005; and

WHEREAS, the Validation Judgment provided that the 2005 Bonds “and any related contracts or agreements approved by the Resolution or contemplated by the Board of Trustees of the District in connection with the issuance of the Bonds and the refunding of the Health Benefit Obligations, were and are valid, legal and binding obligations in accordance with their terms and were and are in conformity with the applicable provisions of all laws and enactments at any time in force or controlling upon such proceedings, whether imposed by law, constitution, statute or ordinance, and whether federal, state or municipal, including but not limited to the provisions of Article XVI, Section 18, of the California Constitution”; and

WHEREAS, the Validation Judgment further determined that “the [2005] Bonds and all agreements related thereto, are exempt from and not subject to the debt limitations set forth in Article XVI, Section 18, of the California Constitution ... and are obligations imposed by law ... and are valid and binding obligations under the Constitution and laws of the State of California”; and

WHEREAS, on December 28, 2005 the District issued the 2005 Bonds, styled as “Peralta Community College District, Alameda County, California, Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds in an aggregate par amount of \$153,749,832.25; and

WHEREAS, as contemplated in the Validation Judgment, and as provided for the Indenture of Trust, dated as of December 1, 2005 between the District and Deutsche Bank National Trust Company, as Trustee pursuant to which the 2005 Bonds were issued, on November 28, 2006 the District entered into an Interest Rate Swap (“Swap”) (MSCS Ref. No. AUF35 (2005 Series B-1) with Morgan Stanley Capital Services Inc. (the “Counterparty”) which Swap was effective as of August 5, 2010 and which terminates by its terms on August 5, 2015; and

WHEREAS, pursuant to Government Code Section 5922, the Trustees, based on a report of their financial advisor, determined that the proposed interest rate swap transaction with the Counterparty was designed to result in a lower cost of borrowing in combination with the issuance of the 2005 Bonds; and

WHEREAS, on February 19, 2009 the District issued \$48,725,000 of Peralta Community College District 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the “2009 Refunding Bonds”) which refinanced certain maturities of the 2005 Bonds; and

WHEREAS, the principal and interest due on both the outstanding 2005 Bonds and the 2009 Refunding Bonds are payable from any source of legally available funds of the District, including amounts in the General Fund; and

WHEREAS, the District desires to terminate the Swap; and

WHEREAS, the District desires to refinance all or a portion outstanding maturities of the 2009 Refunding Bonds (the “Refunded 2009 Refunding Bonds”); and

WHEREAS, in order to provide the amounts required to refund the Refunded 2009 Refunding Bonds, the District has determined to issue its Peralta Community College District 2011 Taxable Refunding Bonds (the “2011 Refunding 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

WHEREAS, the Trustees wish at this time to approve the final form of the documents relating to the issuance and sale of the 2011 Refunding Bonds, and to authorize other actions relating to the issuance of the 2011 Refunding Bonds and the termination of the Swap;

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE PERALTA COMMUNITY COLLEGE DISTRICT DOES HEREBY FIND, DETERMINE AND CERTIFY AS FOLLOWS:

Section 1. Authorization of Bonds. The Trustees hereby authorize the issuance of the 2011 Refunding Bonds under the Act in the aggregate principal amount of not-to-exceed \$65,000,000 to refund and defease the 2009 Refunding Bonds, and to pay costs of issuance of the 2011 Refunding Bonds. The Bonds may be issued in one or more series in accordance with the conditions of the Indenture, defined below.

Section 2. Sale of Bonds to Underwriter. The Trustees hereby authorize the sale of the 2011 Refunding Bonds to J.P. Morgan Securities LLC, as underwriter (the “Underwriter”) under the Bond Purchase Contract (the “Purchase Contract”) in substantially the form on file with the Secretary to the Board together with any additions thereto or changes therein approved by the Chancellor or Vice Chancellor, Finance and Administration (each, an “Authorized Officer”), whose execution thereof shall be conclusive evidence of such approval. The Trustees hereby delegate to an Authorized Officer the authority to accept an offer from the Underwriter to purchase the 2011 Refunding Bonds and to execute the Purchase Contract for and in the name and on behalf of the District. The amount of Underwriter’s discount may not exceed 0.75% of the par amount of the 2011 Refunding Bonds and for 2011 Refunding Bonds bearing interest at a fixed rate, the weighted average rate of interest on the 2011 Refunding Bonds may not exceed 12% per annum.

Section 3. Approval of Form of Indenture of Trust. The Trustees hereby approve the Indenture of Trust between the District and Deutsche Bank National Trust Company, as trustee, dated as of October 1, 2011 (the “Indenture”) prescribing the terms and provisions of the 2011 Refunding Bonds, in substantially the form on file with the Secretary to the Board together with any additions thereto or changes therein deemed approved by an Authorized Officer whose execution shall be conclusive evidence of such approval. An Authorized Officer is hereby authorized and directed to execute the Indenture for and in the name and on behalf of the District. The Trustees hereby authorize the delivery and performance of the Indenture.

Section 4. Official Statement. The Trustees hereby approve, and hereby deem nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in substantially the form on file with the Secretary to the Board. An Authorized Officer is hereby authorized to execute an appropriate certificate stating the 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 the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to the Final Official Statement and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Trustees hereby authorize 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 5. Taxable Status of the Bonds. The Trustees hereby determine that interest payable on the 2011 Refunding Bonds will be subject to federal income taxation, and that the provisions of Section 5900 *et seq.* of the California Government Code apply to the 2011 Refunding Bonds. The District may take any action and exercise any power permitted to be taken by it thereunder in connection with the issuance and sale of the 2011 Refunding Bonds.

Section 6. Termination of Swap. The termination of the Swap, so long as it is financially advantageous to the District to do so, is authorized by the Trustees. To the extent that a termination fee is obligated to be paid in connection with termination, such payment is authorized. The Authorized Officers, each alone, are hereby authorized and directed to execute and deliver the necessary documents required to effectuate the termination, said execution being conclusive evidence of such approval.

Section 7. Bond Insurance. The Authorized Officers, each alone, are hereby authorized to select a municipal bond insurer to insure payments by the District with respect to the 2011 Refunding Bonds. Bond Counsel is hereby directed to make all changes to the Indenture as are approved by an Authorized Officer, with the execution thereof containing such changes being conclusive evidence of such approval.

Section 8. Approval of Form of Escrow Agreement. The Trustees hereby approve the Escrow Agreement between the District and Deutsche Bank National Trust Company (the "Escrow Agent") prescribing the terms and provisions under which the Escrow Agent agrees to perform the services of an escrow agent in connection with any refunding of the Refunded 2009 Refunding Bonds, in substantially the form on file with the Secretary to the Board, together with any additions thereto or changes therein deemed necessary or advisable by an Authorized Officer. An Authorized Officer is hereby authorized and directed to execute the Escrow Agreement for and in the name of the District. The Trustees hereby authorize the delivery and performance of the Escrow Agreement.

Section 9. Other Actions. The President of the Board, Secretary to the Board, an Authorized Officer and any and all other officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance and other documents, bond insurance policies or other forms of credit enhancement, which they, or any of them, may deem necessary or advisable in order to consummate the lawful sale and delivery of the 2011 Refunding Bonds and the consummation of the transactions approved herein and contemplated hereby. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

Section 10. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

ADOPTED, SIGNED AND APPROVED this 27th day of September, 2011.

PERALTA COMMUNITY COLLEGE DISTRICT

President of the Board of Trustees

ATTEST:

Secretary to the Board of Trustees

INDENTURE OF TRUST

Dated as of October 1, 2011

between the

PERALTA COMMUNITY COLLEGE DISTRICT

and

DEUTSCHE BANK NATIONAL TRUST COMPANY
as Trustee

Relating to

\$ _____
Peralta Community College District
2011 Taxable Refunding Bonds

INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”) dated as of October 1, 2011, 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”).

WITNESSETH

WHEREAS, California Government Code Section 53201(a) provides that the legislative body of a local agency, which definition includes a community college district, may provide health and welfare benefits to its officers, employees, retired employees and retired members of the legislative body (the “Benefits”); and

WHEREAS, a community college district is further authorized to establish deferred compensation and pension plans for their retired employees; and

WHEREAS, California Government Code Section 53200 provides that health and welfare benefits include “hospital, medical, surgical [and] disability benefits”, as well as related benefits such as “life, legal expense, and income protection insurance or benefits, whether provided on an insurance or services basis”; and

WHEREAS, to provide these benefits legislative bodies may approve plans of their officers or employees or may contract with one or more admitted insurers, health service organizations, or legal service organizations; and

WHEREAS, the Peralta Community College District (the “District”) public retirement system was established to provide Benefits to its employees; and

WHEREAS, the Board of Trustees (the “Trustees”) of the District has negotiated certain labor contracts whereby the District is obligated to pay, as part of the Benefits, certain healthcare benefits and retirement benefits to or for retired District employees (the “Post-Employment Benefit Obligations”); and

WHEREAS, the amount of the Post-Employment Benefit Obligations is subject to fluctuation from year-to-year due to the differentiation in benefits between certain groups of employees, underlying demographic circumstances, and other factors; and

WHEREAS, in order to determine the extent of the District’s Post-Employment Benefit Obligations, the District has caused to be prepared several actuarial studies of such post-employment liabilities; and

WHEREAS, the District recognizes its duty to employees to negotiate the terms and conditions of their employment, including the provision of health benefits and that as an integral component of the employment contract, the payment of such health care benefits constitutes an outstanding obligation imposed by law on the District; and

WHEREAS, the District is authorized 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 (the “Act”),

commencing with Section 53570, to issue its bonds for the purpose of refunding outstanding Post-Employment Benefit Obligations of the District; and

WHEREAS, in order to refund the Post-Employment Benefit Obligations and thereby provide a more orderly and predictable level of payments in respect of the Post-Employment Benefit Obligations, the Trustees determined that it was in the best financial interest of the District to approve an Indenture of Trust and to issue bonds under the Act, the proceeds of which would pay Post-Employment Benefit Obligations; and

WHEREAS, on December 13, 2005, the Trustees of the District adopted its Resolution No. 05/06-28 (the “2005 Authorizing Resolution”) authorizing the issuance of bonds under the Act in the aggregate principal amount of not-to-exceed \$154,000,000 (the “2005 Bonds”); and

WHEREAS, in the action *Peralta Community College District v. All Persons Interested in the Matter Of The Issuance and Sale Of Bonds for the Purpose Of Funding Certain Obligations Owed by the Peralta Community College District ...Case No. RG 05-228682*, the issuance of the Bonds has been validated by judgment (“Validation Judgment”) of the Alameda County Superior Court rendered on November 7, 2005; and

WHEREAS, the Validation Judgment provided that the 2005 Bonds “and any related contracts or agreements approved by the Resolution or contemplated by the Board of Trustees of the District in connection with the issuance of the Bonds and the refunding of the Health Benefit Obligations, were and are valid, legal and binding obligations in accordance with their terms and were and are in conformity with the applicable provisions of all laws and enactments at any time in force or controlling upon such proceedings, whether imposed by law, constitution, statute or ordinance, and whether federal, state or municipal, including but not limited to the provisions of Article XVI, Section 18, of the California Constitution”; and

WHEREAS, the Validation Judgment further determined that “the [2005] Bonds and all agreements related thereto, are exempt from and not subject to the debt limitations set forth in Article XVI, Section 18, of the California Constitution ... and are obligations imposed by law ... and are valid and binding obligations under the Constitution and laws of the State of California”; and

WHEREAS, on December 28, 2005 the District issued the 2005 Bonds, styled as “Peralta Community College District, Alameda County, California, Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds in an aggregate par amount of \$153,749,832.25 (the “2005 Bonds”); and

WHEREAS, on February 19, 2009 the District issued \$48,725,000 of Peralta Community College District 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the “2009 Refunding Bonds”) which refinanced certain maturities of the 2005 Bonds; and

WHEREAS, the principal and interest due on both the outstanding 2005 Bonds and the 2009 Refunding Bonds are payable from any source of legally available funds of the District, including amounts in the General Fund; and

WHEREAS, the District desires to refinance all of the 2009 Refunding Bonds (the “Refunded Bonds”); and

WHEREAS, in order to provide the amounts required to refund the Refunded 2009 Bonds, the District has determined to issue its \$_____ aggregate principal amount of Peralta Community College District 2011 Taxable 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 September 27, 2011.

WHEREAS, 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.

GRANTING CLAUSE

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

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 refund in their entirety the Refunded Bonds as provided herein and in the Escrow Agreement. The Bonds are designated the “Peralta Community College District 2011 Taxable 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 August 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:

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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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) Optional Redemption. The Bonds shall be subject to redemption, at the option of the District, prior to their maturity date, in whole or in part, on the date designated by the District, at a redemption price equal to

(i) the greater of

(A) the principal amount of the Bonds to be redeemed or

(B) the present value of all principal and interest payments scheduled to be paid on the Bonds to be refunded after the redemption date, discounted to the redemption date on a semiannual basis (assuming a 360-day year of twelve 30-day months) at the Treasury Rate plus __ basis points (in case of the Bonds maturing on August 1, 20__ through August 1, 20__) and plus __ basis points (in the case of Bonds maturing on August 1, 20__ through August 1, 20__); plus

(ii) interest accrued thereon to the date set for redemption.

(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 August 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) or as otherwise directed by the District.

Sinking Fund Redemption Date (August 1)	Principal Amount To Be Redeemed
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(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 Depository 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. Within a maturity, if the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided further that, such redemption is made in accordance with the operational arrangements of DTC then in effect. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Bonds will be selected for redemption by lot, in accordance with DTC procedures then in effect. 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 President of the Board of Trustees 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 net proceeds of the Bonds on the Closing Date, the Trustee shall deposit the proceeds and other funds received from the District as follows:

(a) The Trustee shall deposit the amount of \$_____ of proceeds in the Costs of Issuance Fund.

(b) The Trustee shall transfer the amount of \$_____, constituting the remainder of the proceeds of sale of the Bonds, to the Escrow Agent for the purpose of refunding the Refunded 2009 Bonds in accordance with the Escrow Agreement.

SECTION 3.03. Creation of Funds. (a) 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 February 1, 2012, 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.

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) reduce the percentage of Bonds required for the written consent to any amendment hereof; or

(iii) 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 or upon mandatory sinking fund redemption.

(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) filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the District, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

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 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 indebtedness on any Bonds, in whole or in part, 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 and which the District elects to apply towards a defeasance, 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 and which the District elects to apply towards a defeasance, 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 for any lawful purpose.

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: Vice Chancellor, Finance and Administration
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) 617-3203
Fax: (415) 617-4280

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 the Vice Chancellor, Finance and Administration 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 _____
Vice Chancellor, Finance and Administration

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Trustee

By _____
Authorized Officer

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Bond Counsel” means (a) Stradling Yocca Carlson & Rauth, A Professional 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 August 2 in any year and extending to the next succeeding August 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on August 1, 2012.

“Bonds” means the Peralta Community College District 2011 Taxable 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 _____, 2011, being the date on which the Bonds are delivered by the District to the Original Purchaser.

“Comparable Treasury Issue” means the U.S. Treasury security selected by a Reference Dealer designated by the District as having a maturity comparable to the remaining term to maturity of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining terms of such Bonds being redeemed.

“Comparable Treasury Price” means with respect to any date set for redemption, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on a day at least three Business Days but no more than 45 Business Days preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available prior to such date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

“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 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 refunding of the 2009 Refunding Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"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.

"Escrow Agent" means Deutsche Bank National Trust Company, or any successor thereto appointed pursuant to the terms of the Escrow Agent, acting as escrow agent under the Escrow Agreement.

"Escrow Agreement" means that certain escrow agreement, dated as of October 1, 2011, by and between the District and Deutsche Bank National Trust Company, as Escrow Agent thereunder, relating to the refunding of the Refunded Bonds.

"Escrow Fund" means that certain fund established and held by the Escrow Agent pursuant to the Escrow Agreement and relating to the refunding of the Refunded Bonds.

"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 February 1, 2012, and each February 1 and August 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 J.P. Morgan Securities LLC, 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 270 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, however, that for investment of funds held by the Trustee, the Trustee must be entitled to make investments and withdrawals in its own name as Trustee.

(l) Any investments which are legal for the investment of community college district funds under Section 53601 of the California Government Code.

"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.

“Reference Dealer” means (i) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the District shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the District (or such lesser amount as permitted hereunder).

“Reference Treasury Dealer Quotations” means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the District and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third Business Day preceding a redemption date.

“Refunded Bonds” means all of the 2009 Refunding Bonds maturing on November 1 in each of the years 2011 through and including 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.

“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, Finance and Administration of the District, or any other officer of the District duly authorized by the District for that purpose.

“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 _____.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“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 Bonds” means the Peralta Community College District, Alameda County, California, Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds, issued in an initial aggregate par amount of \$153,749,832.25 pursuant to the 2005 Bond Indenture.

“2005 Bond Indenture” means that certain Indenture of Trust, dated as of December 1, 2005, between the District and the 2005 Bond Trustee, as amended, authorizing the issuance of the 2005 Bonds.

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

“2009 Bond Indenture” means that certain Indenture of Trust dated as of February 1, 2009, between the District and the 2009 Bond Trustee, as amended, authorizing the issuance of the 2009 Refunding Bonds.

“2009 Bond Trustee” means Deutsche Bank National Trust Company, as trustee for the 2009 Bonds under the 2009 Bond Indenture, or any successor thereto appointed as trustee in accordance with the provisions of 2009 Bond Indenture.

“2009 Refunding Bonds” means the Peralta Community College District 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds issued by the District in the aggregate principal amount of \$48,725,000 under the 2009 Bond Indenture.

APPENDIX B

FORM OF BOND

No.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
PERALTA COMMUNITY COLLEGE DISTRICT
2011 TAXABLE REFUNDING BOND

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:
 August 1, _____, 2011

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The PERALTA COMMUNITY COLLEGE DISTRICT, a community college district duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month in which such Interest Payment Date occurs (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before January 15, 2012, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on February 1 and August 1 in each year, commencing February 1, 2012 (the "Interest Payment Dates") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of Deutsche Bank National Trust Company, as trustee (the "Trustee"), in 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 2011 Taxable 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 October 1, 2011, 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 September 27, 2011. 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 may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on any date, at a redemption price equal to (i) the greater of (A) the principal amount of the Bonds to be redeemed or (B) the present value of all principal and interest payments scheduled to be paid on the Bonds to be refunded after the redemption date, discounted to the redemption date on a semiannual basis (assuming a 360-day year of twelve 30-day months) at the Treasury Rate plus 45 basis points (in case of the Bonds maturing on August 1, 20__ through August 1, 20__) and plus __ basis points (in the case of Bonds maturing on August 1, 20__ through August 1, 20__), plus (ii) interest accrued thereon to the date set for redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the “Statistical Release”) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if the Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used

The Bonds maturing on August 1, _____, 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 August 1 in the respective years as set forth in the following table:

Sinking Fund Redemption Date (August 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 the President of the Board of Trustees 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: _____
President of the Board of Trustees

ATTEST:

Clerk of the Board of Trustees

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond 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

(Please print or typewrite name, address and social security or other identifying number of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

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

NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Bond in every particular, without alteration or enlargement or any change whatsoever.

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NEW ISSUE – FULL BOOK-ENTRY

**RATINGS: Standard & Poor’s: “___”; Moody’s: “___”
(See “RATINGS”)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) 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” with respect to tax consequences relating to the Bonds.

\$65,000,000*

**PERALTA COMMUNITY COLLEGE DISTRICT
(Alameda County, California)
2011 Taxable Refunding Bonds**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Peralta Community College District (Alameda County, California) 2011 Taxable Refunding Bonds (the “Bonds”), in an aggregate principal amount of \$65,000,000* are being issued under and pursuant to Articles 10 and 11 (commencing with Section 53570 *et seq.*) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and an Indenture of Trust (the “Indenture”) dated as of October 1, 2011 by and between the Peralta Community College District (the “District”) and Deutsche Bank National Trust Company, as trustee (the “Trustee”).

The Bonds are being issued by the District for the purpose of (i) refinancing the District’s outstanding 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds, and (ii) paying the costs of issuing the Bonds, all as further described herein.

Interest on the Bonds accrues from the date of delivery at the rates per annum set forth on the inside cover page hereof, and will be payable semiannually on February 1 and August 1, commencing February 1, 2012. Principal on the Bonds will be payable on August 1 in the years and in the amounts shown on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 principal amount or integral multiples thereof, as shown on the inside cover page hereof.

The Bonds are being issued in book-entry form only, without coupons, and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (collectively referred to as “DTC”). DTC will act as security depository for the Bonds. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical delivery of the Bonds purchased by them. Payments of 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 “APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”)

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturities as described herein. (See “THE BONDS – Redemption”).

Maturity Schedule*
(see inside front cover)

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, 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 OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATIONS OF THE DISTRICT TO MAKE PAYMENTS OF THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about October ___, 2011.

J.P. MORGAN

Dated: October ___, 2011

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE*

\$ _____
PERALTA COMMUNITY COLLEGE DISTRICT
(Alameda County, California)
2011 Taxable Refunding Bonds

Base CUSIP⁽¹⁾: _____

\$ _____ Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁽¹⁾</u>
--------------------------------------	-----------------------------------	--------------------------------	--------------	--------------	----------------------------

\$ _____ % Term Bonds due August 1, 20__ – Yield _____ %; Price _____ %; CUSIP⁽¹⁾: _____

\$ _____ % Term Bonds due August 1, 20__ – Yield _____ %; Price _____ %; CUSIP⁽¹⁾: _____

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. 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 as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District or the Underwriter.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than as provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to such forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, change or fail to occur.

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

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

The District maintains a website. However, the information presented on such website is not part of this Official Statement, is not incorporated herein by any reference, and should not be relied upon in making an investment decision with respect to the Bonds.

PERALTA COMMUNITY COLLEGE DISTRICT

BOARD OF TRUSTEES

Dr. William Riley
President, Area 5

Cy Gulassa
Vice President, Area 6

Abel Guillen
Member, Area 7

Linda Handy
Member, Area 3

Marcie Hodge
Member, Area 2

Bill Withrow
Member, Area 1

Nicky Gonzalez Yuen
Member, Area 4

DISTRICT ADMINISTRATION

Dr. Wise E. Allen
Chancellor

Ronald Gerhard
Vice Chancellor, Finance & Administration

Trudy Largent
Vice Chancellor, Human Resources

Thuy Thi Nguyen, Esq.
General Counsel

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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\$65,000,000*
PERALTA COMMUNITY COLLEGE DISTRICT
(Alameda County, California)
2011 Taxable Refunding Bonds

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$65,000,000* aggregate principal amount of Peralta Community College District (Alameda County, California) 2011 Taxable Refunding Bonds (the "Bonds").

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

This Official Statement supplies information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Indenture (defined herein), and the constitutional provisions, statutes and other documents described herein, do not purport to be comprehensive or definitive, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Copies of documents referred to herein and information concerning the Bonds are available from the Vice Chancellor, Finance & Administration, Peralta Community College District, 333 E. Eighth Street, Oakland, California 94606; Phone (510) 466-7200. The District may impose a charge for copying, mailing and handling.

The District

The Peralta Community College District (the "District") was formed in 1964 and serves a 78-square mile area in Alameda County (the "County"), California (the "State"), including the cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont. The District operates four colleges: Laney College in downtown Oakland, College of Alameda in Alameda, Merritt College in the hills above Oakland, and Berkeley City College in downtown Berkeley. For fiscal year 2011-12, the District has a projected enrollment of 18,500 students and an assessed valuation of \$69,914,597,440. For more complete information concerning the District, including certain financial information, see "PERALTA COMMUNITY COLLEGE DISTRICT" and "DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2010 are included as APPENDIX A attached hereto.

* Preliminary, subject to change.

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Chancellor appointed by the Board of Trustees who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Wise E. Allen is currently the Chancellor of the District. See "PERALTA COMMUNITY COLLEGE DISTRICT."

Over the past several years, the District has experienced significant financial challenges resulting from deficiencies in its internal fiscal controls, reduced State revenues and increased costs associated with its Post-Employment Benefit (defined herein) program. Since 2010, the District has initiated a variety of policies which have stabilized the District's financial condition. For more information, please see "POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT" and "PERALTA COMMUNITY COLLEGE DISTRICT – District Management Statement."

Authority for Issuance of the Bonds

The Bonds are issued under and pursuant to certain provisions of the Constitution of the State of California, the Government Code of the State of California, and other applicable law, a resolution of the Board of Trustees adopted on September 27, 2011 (the "Resolution"), and an Indenture of Trust, dated October 1, 2011 (the "Indenture"), by and between the District and Deutsche Bank National Trust Company, as Trustee (the "Trustee"). See "THE BONDS – Authority for Issuance."

Purpose of Issue

The Bonds are being issued by the District to refund the District's outstanding 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds (the "2009 OPEB Refunding Bonds"), and pay the costs of issuing the Bonds, all as further described herein. See "THE BONDS – Purpose of Issue." The 2009 Refunding OPEB Bonds are also referred to herein as the "Refunded Bonds." The Refunded Bonds are being refunded in order to restructure the District's payment obligations with respect thereto. See "THE REFUNDING PLAN."

The 2009 Refunding OPEB Bonds were previously issued by the District to refinance certain maturities of the District's Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the "2005 OPEB Bonds"). The 2005 OPEB Bonds were previously issued by the District to refund the accrued liability of contractual obligations of the District to fund certain retiree health benefit costs. See "POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT."

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as security depository for the Bonds, and ownership interests in the Bonds may be purchased in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased thereby. See "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM." In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Indenture described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

Denominations. The Bonds will be available to purchase thereof in the denominations of \$5,000 principal amount, or any integral multiple thereof.

Redemption.* The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as described herein. See “THE BONDS – Redemption.”

Payments. Interest on the Bonds accrues from the date on which the Bonds are delivered by the District to the Underwriter (the “Date of Delivery”) at the rates per annum set forth on the inside cover page hereof, and will be payable semiannually on February 1 and August 1, commencing February 1, 2012. Principal of the Bonds is payable on August 1 in the amounts and years shown on the inside cover page hereof. See “THE BONDS – Description of the Bonds.”

Sources of Payment for Bonds

Based on the judgment of the Validation (defined herein), the Bonds represent an obligation of the District imposed by law payable from any source of legally available funds of the District, and are not subject to the debt limitations of the California Constitution. The District is obligated to satisfy its payment obligations under the Bonds from any money lawfully available in any fund of the District, including its general fund. The Bonds are not limited as to payment to any special funds of the District, and 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 the 5th Business Day preceding each Interest Payment Date, the aggregate amount of principal of and interest on the Bonds coming due and payable on such Interest Payment Date. See “THE BONDS – Security and Sources of Payment.”

Certain Risk Factors

An investment in the Bonds involves certain risks. Investors must read this entire Official Statement to obtain information essential in making an informed investment decision. See “CERTAIN RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment suitability of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from present State of California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS – Tax Matters.”

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally

* Preliminary, subject to change.

identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for J.P. Morgan Securities LLC (the “Underwriter”) by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October ____, 2011.

Continuing Disclosure

The District will covenant for the benefit of Bond Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of listed events is summarized below under the caption “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Other Information

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

THE BONDS

Authority for Issuance

The Bonds are issued under and pursuant to the provisions Articles 10 and 11 of Chapter 3 of Part I of Division 2 of Title 5, commencing with Section 53570 *et seq.*, of the California Government Code (the “Act”), the Resolution and the Indenture.

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 in and for the County of Alameda seeking judicial validation of the transactions relating to the issuance of all of the bonds authorized under Resolution No. 05-06-08 (the “OPEB Resolution”), adopted by the Board of Trustees of the District on July 28, 2005, including the 2005 OPEB 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, as well as “any related contracts or agreements approved by the [OPEB Resolution] or contemplated by the Board of Trustees in connection with the issuance of the [2005 OPEB Bonds] and the refunding of the Health Benefit Obligations are valid, legal and binding obligations” of the District imposed by law, in accordance with their terms and were and are in conformity with the applicable provisions of all laws. Further, the judgment stated: “The [2005 OPEB] Bonds (and all contracts and agreements related thereto) are obligations imposed by law.” See *Peralta Community College District v. All Persons Interested in the Matter of the Issuance and Sale of Bonds for the Purpose of Refunding Certain Obligations Owed by the Peralta Community College District in Respect of Employee Health Care Benefits, and all Proceedings Leading Thereto, Including the Adoption of a Resolution Authorizing the Issuance and Sale of Such Bonds*, 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, conclusive and unappealable in accordance with State law. In issuing the opinion as to the validity of the Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment. See “APPENDIX C – FORM OF OPINION OF BOND COUNSEL.”

Purpose of Issue

The Bonds are being issued by the District to refund the outstanding 2009 OPEB Refunding Bonds, and pay the costs of issuing the Bonds. For more information regarding previous bond issuances relating to the District’s obligations to fund retiree benefits, see “POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT” herein. For information regarding the use of proceeds of the Bonds, see “REFINANCING PLAN” and “ESTIMATED SOURCES AND USES OF PROCEEDS.”

Security and Sources of Payment

Based on the Validation, the Bonds represent an obligation of the District imposed by law payable from any source of legally available funds of the District, and are not subject to the debt limitations of the California Constitution. The District is obligated to satisfy its payment obligations under the Bonds from any money lawfully available in any fund of the District, including its general fund. The Bonds are not limited as to payment to any special funds of the District, and 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 the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund in the following order of priority:

(a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, 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.

(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.

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, ARE, BASED ON THE VALIDATION, 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 OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATIONS OF THE DISTRICT TO MAKE PAYMENTS OF THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE STATE OR ANY POLITICAL SUBDIVISIONS THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Description of the Bonds

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 DTC. Purchasers will not receive certificates representing their interests in the Bonds. The Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof (“Authorized Denominations”).

The Bonds will be dated as of the Date of Delivery. The Bonds will mature on August 1 in the years and in the respective principal amounts and bear interest at the respective rates per annum, payable on each Interest Payment Date, commencing February 1, 2012, computed using a year of 360 days, comprising twelve 30-day months, all as set forth on the inside cover page hereof.

Interest on each Bond is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless: (a) such Bond is authenticated on or before an Interest Payment Date and after 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) (the “Record Date”), in which event it will bear interest from such Interest Payment Date; (b) such Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Date of Delivery; or (c) interest on such 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.

Payment

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. 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 principal corporate trust office (the "Office") of the Trustee.

Trustee

Deutsche Bank National Trust Company, located in San Francisco, California, will act as the Trustee. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notice of redemption or other notices to owners only to DTC. See "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Trustee, the District, and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption

Optional Redemption. * The Bonds may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on any date, at a redemption price equal to (i) the greater of (A) the principal amount of the Bonds to be redeemed or (B) the present value of all principal and interest payments scheduled to be paid on the Bonds to be refunded after the redemption date, discounted to the redemption date on a semiannual basis (assuming a 360-day year of twelve 30-day months) at the Treasury Rate plus ___ basis points (in case of the Bonds maturing on August 1, 20__ through August 1, 20__) and plus ___ basis points (in the case of Bonds maturing on August 1, 20__ through August 1, 20__), plus (ii) interest accrued thereon to the date set for redemption.

For purposes of calculating the redemption price of Bonds called for optional redemption, the following definitions shall apply.

"Comparable Treasury Issue" means the U.S. Treasury security selected by a Reference Dealer designated by the District as having a maturity comparable to the remaining

* Preliminary, subject to change.

term to maturity of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining terms of such Bonds being redeemed.

“Comparable Treasury Price” means with respect to any date set for redemption, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on a day at least three Business Days but no more than 45 Business Days preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available prior to such date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Dealer” means (i) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the District shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the District (or such lesser amount as permitted by the Indenture).

“Reference Treasury Dealer Quotations” means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the District and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third Business Day preceding a redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Mandatory Sinking Fund Redemption.* The Term Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
Total	

⁽¹⁾ Final Maturity.

In the event that a portion of the Term Bonds are optionally redeemed prior to maturity, 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) or as otherwise directed by the District.

Selection of Bonds for Redemption. Within a maturity, if the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided further that, such redemption is made in accordance with the operational arrangements of DTC then in effect. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Bonds will be selected for redemption by lot, in accordance with DTC procedures then in effect. 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.

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.

“Securities Depositories,” as defined in the Indenture, means DTC, and, in accordance with then current guidelines of the Securities and Exchange Commission (the “SEC”), such other addresses or such other securities depositories as the District may designate in a request thereof delivered to the Trustee. “Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; J. J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715; Attention: Called Bond Department; and, in accordance with then current guidelines of the SEC, such other addresses or such other services providing information with respect to the redemption of bonds as the District may designate in a request of the District delivered to the Trustee.

* Preliminary, subject to change.

Each notice of redemption will contain the following information: (i) the date of the notice, (ii) the redemption date, (iii) the redemption place, (iv) the redemption price (v) applicable CUSIP numbers, 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. The notice must further 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.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Debt Service Fund, the Bonds designated for redemption in such notice will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. Unless otherwise directed by the District, all Bonds redeemed will be cancelled forthwith and destroyed by the Trustee.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner thereof a new Bond or Bonds of the same series and maturity date, of Authorized Denominations equal in aggregate principal amount of the unredeemed portion of the Bonds to be redeemed.

Registration, Transfer and Exchange of Bonds

The Trustee will keep or cause to be kept at its Office sufficient Registration Books for the registration and transfer of the Bonds, which will at all times during normal business hours, and upon reasonable notice, be open to inspection by the District, and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books Bonds as provided in the Indenture.

In the event that the book-entry system described in APPENDIX E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer and exchange of the Bonds. So long as the Bonds are maintained in the book-entry form of DTC, the rules of such book-entry system relating to the registration, transfer and exchange of the Bonds will be controlling.

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books required to be kept by the Trustee, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee will collect any tax or other governmental charge on the transfer of any Bonds under the Indenture. Whenever any Bond is surrendered for transfer, the District will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of the same Series of Bonds and maturity of Authorized Denominations equal to the principal amount. The District is obligated to pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may, in accordance with its terms, be exchanged at the Office of the Trustee for a new Bond or Bonds of the same maturity of Authorized Denominations equal to the principal amount. The Trustee will collect any tax or other governmental charge on the transfer of any Bonds under the Indenture. The Trustee will require the payment by the Owner requesting such exchange of any tax or

other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The District is obligated to pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

The Trustee may refuse to transfer or exchange any Bonds selected by the Trustee for redemption, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in 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 the Indenture and which the District elects to apply towards a defeasance, in the opinion 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 the Indenture and which the District elects to apply towards a defeasance, 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;

then, notwithstanding that any of such Bonds will not have been surrendered for payment, the obligations of the Trustee and the District under the Indenture with respect to such Bonds will cease and terminate, except only the (i) the obligation of the Trustee to transfer and exchange Bonds thereunder, (ii) 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 (iii) the obligations of the District to compensate and indemnify the Trustee pursuant to the Indenture.

“Federal Securities” means (i) any direct general obligations of the United States of America (including obligations issued or held in book entry forms on the books of the Department of the Treasury), for which the full faith and credit of the United States of America is pledged; (b) obligations of any agency, department or instrumentality of the United State 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.

POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT

Benefit Plan

The District operates a single-employer defined benefit plan (the “Plan”) that provides post-employment healthcare benefits (the “Post-Employment Benefits”) in accordance with negotiated labor contracts. For employees hired prior to July 1, 2004, the Plan provides life-time post-retirement healthcare benefits to eligible retirees, spouses and, in many cases, dependent children. For employees hired after July 1, 2004, the District is responsible only for the payment of healthcare benefit premiums for eligible employees until the age of Medicare eligibility. The contribution requirements of Plan members and the District are established and amended by the District and its bargaining units every three years. The Plan is currently funded on a pay-as-you-go-basis. The District recognized \$8,190,000 in contributions to the Plan during fiscal year 2010-11 comprised of premiums paid, claims expenses, and reimbursements. For fiscal year 2011-12, the District has budgeted \$10,000,000 for such contributions.

Accrued Liability

The District has commissioned and received several actuarial studies of its liability with respect to the Post-Employment Benefits. The most recent of these studies, dated as of March 21, 2011 (the “Study”) and conducted by Bartel & Associates (the “Actuary”), concluded that the actuarial accrued liability (“AAL”) for the Post-Employment Benefits, as of June 30, 2011, is projected to be \$221,198,000. This AAL represents a ___% increase since the inception of the District’s OPEB Trust (defined herein), and is due primarily to _____.

The Study also concluded that the annual required contribution (“ARC”) for fiscal year 2011-12 is \$20,364,000. The ARC is the annual amount that would be necessary to fund the Post-Employment Benefits in accordance with the Governmental Accounting Standards Board’s Statements No. 43 and 45. The following table shows the District’s contributions towards its actuarially determined ARC over the past four fiscal years, as well as budgeted figures for fiscal year 2011-12.

**FUNDING OF ANNUAL REQUIRED CONTRIBUTION
Peralta Community College District
Fiscal Years 2007-08 through 2011-12**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>District Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation⁽¹⁾</u>
2007-08 ⁽²⁾	\$10,291,000	\$5,358,799	52%	\$4,932,201
2008-09 ⁽²⁾	10,668,000	5,749,282	54	9,850,919
2009-10 ⁽³⁾	12,408,000	9,016,427	73	13,242,492
2010-11 ⁽³⁾	12,812,000	8,190,000	64	--
2011-12	20,364,000	10,000,000 ⁽⁴⁾	--	--

⁽¹⁾ For fiscal years 2007-08 through 2009-10, from the District’s most recent audited financial statements. See “APPENDIX A – FISCAL YEAR 2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13 – Postemployment Health Care Plan and Other Postemployment Benefits Obligation.”

⁽²⁾ As of the _____ valuation date.

⁽³⁾ As of the June 30, 2008 valuation date.

⁽⁴⁾ Budgeted.

Source: Peralta Community College District.

Retirement Board and OPEB Trust

The proceeds from the sale of the 2005 OPEB Bonds were used to establish a revocable trust (the “OPEB Trust”), held by Union Bank, National Association. As initially implemented, the authority to manage and direct the investment of monies in the OPEB Trust was delegated by the Board of Trustees to the Vice Chancellor, Budget and Finance (now known as the Vice Chancellor, Finance & Administration). Pursuant to a resolution adopted on November 28, 2006, the District established an independent retirement board (the “Retirement Board”) to supervise the investment of the OPEB Trust.

The Retirement Board is comprised of five permanent members appointed by the Board of Trustees, and currently includes three members of the Board of Trustees, the Vice Chancellor, Finance & Administration and the Vice Chancellor, Human Resources. The Retirement Board also includes sitting advisory members. Advisory members represent the District’s labor unions, including a member from each of Local 1021, Local 39 and the Peralta Federation of Teachers. Others advisory members include current retirees receiving Plan benefits. Advisory members are empowered to advise the Retirement Board on all matters relating to the investment of OPEB Trust funds and to make recommendations to the Board of Trustees regarding benefits provided to District employees. Advisory member recommendations are nonbinding.

Management of OPEB Trust and Investments

At the direction of the Retirement Board, assets on deposit in the OPEB Trust are managed by Neuberger Berman LLC (the “Investment Advisor”), in accordance with an investment policy (the “Investment Policy”) established by the District. The Investment Advisor advises the Retirement Board as to recommended asset allocations within the OPEB Trust portfolio, as well as long-term economic and market trends. Currently, earnings from the investment of the OPEB Trust assets are used to reimburse the District’s general fund for expenditures on healthcare premiums.

The Investment Policy is modeled after similar policies developed for the State-wide CalPERS (defined herein) program and the Alameda County Employees Retirement Association. The objectives of the Investment Policy are to provide for long-term appreciation of assets to fund the District’s Post-Employment Benefits, while managing risk through prudent diversification. The OPEB Trust portfolio is generally limited to domestic and international equities, fixed income securities, and cash. Alternative investments are subject to the approval of the Retirement Board, and are limited to 15% of total portfolio assets. Although the Investment Policy calls for the Investment Advisor to deliver quarterly reports on the performance of the portfolio, the Retirement Board currently meets monthly to review investments and returns. Investments of the type described above were not validated by the Validation. For more information regarding the Investment Policy, see “APPENDIX H – OPEB TRUST INVESTMENT POLICY.”

As of June 30, 2011, the OPEB Trust had assets with a book value of \$150,183,534.95 and a market value of \$164,751,559.76, as compared to a total projected AAL of \$221,198,000. See “—Accrued Liability” herein. The following table compares the performance of investments in the OPEB Trust to the growth in the District’s AAL.

<u>Fiscal Year</u>	<u>Actuarial Accrued Liability (in millions)</u>	<u>Market Value of OPEB Assets (in millions)⁽¹⁾</u>	<u>Net Difference (in millions)</u>
2007-08	\$124.005 ⁽²⁾	\$160.571	\$36.57
2008-09	130.503 ⁽²⁾		
2009-10	213.864 ⁽³⁾	144.517	(69.35)
2010-11	221.198 ⁽³⁾	164.751	(56.45)

⁽¹⁾ As of June 30 for each fiscal year.

⁽²⁾ As of the June 30, 2008 valuation date.

⁽³⁾ As of the June 30, 2010 valuation date.

Source: Peralta Community College District.

In response to State funding reductions and increases in its AAL, the District has undertaken a series of strategies to ensure the long-term solvency of the Post-Employment Benefit program. The most notable step taken by the District is the imposition of a 12.5% payroll charge designed to supplement OPEB Trust assets and ease the burden on the District's general fund. See "PERALTA COMMUNITY COLLEGE DISTRICT – District Management Statement."

2005 OPEB Bonds

Pursuant to the OPEB Resolution, the Act and an indenture of trust (the "2005 Indenture"), by and between the District and Deutsche Bank National Trust Company (in such capacity, the "2005 Trustee"), on December 8, 2005, the District issued the 2005 OPEB Bonds in the aggregate principal amount of \$153,749,832.25 to refund the accrued liability of contractual obligations of the District to fund certain retiree health benefit costs. The net proceeds from the 2005 OPEB Bonds were deposited into the OPEB Trust.

Structure of 2005 OPEB Bonds. The 2005 OPEB Bonds were issued as a series of fixed-rate bonds bearing periodic interest (the "Standard Bonds"), in an aggregate principal amount of \$20,015,000, as well as five series of convertible auction rate bonds (the "CARS") in an aggregate initial principal amount of \$133,734,832.25. A portion of the Standard Bonds were restructured in 2006 (see "POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT – 2005 OPEB Bonds Modification"), while the remaining Standard Bonds, as well as the Series B-1 CARS, have been refunded and are no longer outstanding. See "POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT – 2009 OPEB Refunding Bonds."

The CARS initially do not bear periodic interest, but instead accreted in value to from their date of issuance to a full accretion date (the "Full Accretion Date"). On the Full Accretion Date for each maturity of the CARS, and for each Auction Rate Period (defined herein) thereafter, an auction (each, an "Auction") is required to be held pursuant to the auction and settlement procedures applicable thereto. Following each such Auction, the CARS bear periodic interest on the accreted value thereof as of the Full Accretion Date, at the rate set at the Auction (the "Auction Rate"). Each period during which an Auction Rate is in effect is referred to herein as an "Auction Rate Period."

If an Auction is not held or otherwise fails, the CARS will bear interest at a rate of 17% per annum (or the maximum rate, if any, established under the laws of the State for obligations of public agencies such as the District, if less than 17%) (collectively, the "Maximum Auction Rate") for a Auction Rate Period of seven days. For any series of the CARS, if such Maximum Auction Rate is in effect for the lesser of (i) three successive Auction Rate Periods or (ii) 35 days, the District is required to initiate proceedings to convert such series of CARS to fixed-rate bonds.

To the extent the District elects to or is required to convert any series of CARS to fixed-rate bonds, the CARS of such series will be subject to a mandatory tender for purchase at a price equal to 100% of the accreted value of such CARS, plus accrued but unpaid interest (the “Tender Price”). The tender is subject to the availability of funds sufficient to pay the Tender Price having been provided to the Trustee through the remarketing of such CARS to new holders. In the event such a conversion fails, the CARS will revert to the Auction Rate Period in effect immediately prior to the date set for conversion, and will bear interest at the Maximum Auction Rate.

Currently, no market exists for the conduct of Auctions with respect to the CARS, and the District can provide no assurances that such a market will develop by the respective Full Accretion Dates thereof. Furthermore, the District can make no representations about its ability to convert any series of CARS to fixed-rate bonds in the event of a failed Auction. See “RISK FACTORS – District Indebtedness.”

Restructuring of 2005 OPEB Bonds. Given the lack of an Auction market, the District is currently working towards a restructuring of the outstanding maturities of CARS prior to the respective Full Accretion Dates. The Board of Trustees has considered various options to restructure the CARS, including a conversion to fixed-rate bonds through a tender process, or refunding the CARS through the issuance of fixed-rate or variable-rate debt. However, the District can provide no assurances that such a conversion or refunding can be accomplished, or will be undertaken by any specific date.

Interest Rate Swaps. The District entered into six forward starting interest rate swaps (each, a “Swap Agreement”) with Morgan Stanley Capital Services Inc. (the “Swap Provider”). Each Swap Agreement corresponds to one series of the CARS, and has a term equal to the final maturity thereof. The Swap Agreements were structured so that the District pays a fixed rate of interest on an initial notional amount, and in return receives a floating rate of interest equal to 100% of the London Interbank Offered Rate (LIBOR). The amounts payable by a party under each Swap Agreement are netted against the payments to be received by such party thereunder. The Swap Agreements were designed to create a synthetic fixed rate security that mitigates variable rate interest risk on the CARS. See “APPENDIX A – 2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12 – Interest Rate Swaps.” The following table summarizes certain information relating to the Swap Agreements.

**INTEREST RATE SWAPS
Peralta Community College District
Taxable 2005 Limited Obligation OPEB
(Other Post-Employment Benefit) Bonds**

<u>Convertible Auction Rate Bonds</u>	<u>Maturity</u>	<u>Amortizing Notional Amount (in Millions)</u>	<u>Effective Date</u>	<u>Fixed Rate⁽¹⁾</u>
Series B-1 ⁽²⁾	August 5, 2015	\$33.950	August 5, 2010	4.90%
Series B-2	August 5, 2020	38.450	August 5, 2015	5.16
Series B-3	August 5, 2025	43.175	August 5, 2020	5.28
Series B-4	August 5, 2031	57.525	August 5, 2025	5.21
Series B-5	August 5, 2039	86.650	August 5, 2031	5.06
Series B-6	August 5, 2049	134.475	August 5, 2039	4.94

⁽¹⁾ Reflects fixed rate payments due from the District with respect to each Swap Agreement. Does not reflect the variable rate of the interest due with respect to the associated series of CARS or the floating rate payments to be received from the Swap Provider.

⁽²⁾ Series B-1 Bonds were refunded with proceeds from the sale of the 2009 OPEB Refunding Bonds. At the time of the issuance of the 2009 OPEB Refunding Bonds, the District did not effectuate a termination of the corresponding Swap Agreement.

Both the District and the Swap Provider have the right to terminate each Swap Agreement prior to its stated termination date under certain conditions, in which event termination payments may be outstanding. Such termination payments could be substantial, and potentially adverse to the District's financial condition. See "RISK FACTORS – District Indebtedness – Interest Rate Swaps." Any arrangements made in respect of the Swap Agreements will not alter the District's obligations to pay principal of and interest on the CARS.

2005 OPEB Bonds Modification

In October of 2006, the 2005 OPEB Bonds were the subject of a modification whereby three maturities of the Standard Bonds were purchased from investors and converted to capital appreciation bonds (the "Modified 2005 OPEB Bonds"). The purpose of this modification was to restructure the District's debt service obligations with respect thereto and provide short-term budget relief to the District.

2009 OPEB Refunding Bonds

On February 19, 2009, the District issued the 2009 Refunding OPEB Bonds in an aggregate principal amount \$48,725,000. The 2009 Refunding OPEB Bonds were issued to refund the remaining outstanding Standard Bonds, and one maturity of the CARS.

DEBT SERVICE SCHEDULES

Bonds Debt Service. The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

<u>Year</u> <u>(August 1)</u>	<u>Annual Principal</u> <u>Payment</u>	<u>Annual Interest</u> <u>Payment</u>
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Total

Total Debt Service. The table below shows (i) the requirements to amortize the accreted value on the remaining, unrefunded CARS and estimated interest due thereon, as well as (ii) full debt service schedules for the Modified 2005 OPEB Bonds, the 2009 Refunding OPEB Bonds and the Bonds.

OPEB BONDS DEBT SERVICE⁽¹⁾
Peralta Community College District

Year	2005 OPEB Bonds		Modified 2005 OPEB Bonds	The Bonds	Total Aggregate Debt Service
	Accreted Value ⁽²⁾	Estimated Interest ⁽³⁾	Total Debt Service ⁽⁴⁾	Total Debt Service	
2011	--		\$732,320.57		
2012	--		734,389.27		
2013	--		730,063.80		
2014	--		731,568.31		
2015	--		732,884.77		
2016	\$6,875,000.00		733,825.08		
2017	7,325,000.00		734,389.26		
2018	8,125,000.00		734,577.33		
2019	8,750,000.00		734,389.27		
2020	7,375,000.00		733,825.08		
2021	7,800,000.00		732,884.76		
2022	8,325,000.00		737,586.36		
2023	9,200,000.00		735,705.72		
2024	9,925,000.00		739,278.94		
2025	7,925,000.00		736,269.91		
2026	8,325,000.00		738,714.73		
2027	8,850,000.00		740,595.37		
2028	9,875,000.00		735,705.71		
2029	10,600,000.00		742,287.95		
2030	11,650,000.00		742,099.89		
2031	8,225,000.00		740,971.50		
2032	8,550,000.00		739,090.87		
2033	8,975,000.00		742,476.01		
2034	10,225,000.00		744,920.84		
2035	10,850,000.00		746,237.29		
2036	12,100,000.00		746,425.35		
2037	13,000,000.00		745,485.03		
2038	14,275,000.00		749,434.37		
2039	8,675,000.00		752,067.27		
2040	8,825,000.00		753,195.66		
2041	9,100,000.00		752,819.53		
2042	10,650,000.00		756,956.93		
2043	11,150,000.00		759,401.77		
2044	12,750,000.00		759,965.96		
2045	13,525,000.00		758,649.51		
2046	15,125,000.00		761,470.47		
2047	16,400,000.00		762,222.71		
2048	17,650,000.00		766,736.24		
2049	19,300,000.00		790,808.42		
	<u>\$360,275,000.00</u>		<u>\$29,042,697.81</u>		

⁽¹⁾ Preliminary, subject to change. Does not reflect debt service on the Refunded Bonds.

⁽²⁾ Reflects the amortization of accreted value of the outstanding CARS, comprising, for each maturity thereof, the initial principal amount and accreted interest thereon to the end of the Initial Auction Rate Period. Accreted Value payments with respect to the CARS are due on August 5 of each year.

⁽³⁾ Assumes an annual interest rate of 7% prior to the first applicable Full Accretion Date.

⁽⁴⁾ Payments of accreted value are due on August 1 of each year.

THE REFUNDING PLAN

The Bonds are being issued to refund the Refunded Bonds and to pay the costs of issuing the Bonds. The following table details the principal amounts of the Refunded Bonds to be refinanced, corresponding CUSIP numbers, and the final maturity dates.

REFUNDED BONDS
Peralta Community College District
Taxable 2009 OPEB (Other Post-Employment Benefit) Refunding Bonds

<u>Maturity</u>	<u>Rate</u>	<u>Principal Amount to be Refunded</u>	<u>CUSIP</u>
11/1/2011	4.870%	\$4,785,000	713580AP3
11/1/2012	5.400	6,120,000	713580AQ1
11/1/2013	5.773	7,720,000	713580AS7
11/1/2015*	6.423	26,440,000	713580AR9

* Term Bond.

The Refunded Bonds are being refunded to restructure the District's payment obligations with respect thereto.

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the "Escrow Fund") established pursuant to an escrow agreement (the "Escrow Agreement") by and between the District and Deutsche Bank National Trust Company, as escrow agent therefore (in such capacity, the "Escrow Agent"). Amounts deposited into the Escrow Fund will be (a) 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 maturity, and on such maturity date, the outstanding principal thereof. See "ESTIMATED SOURCES AND USES OF FUNDS."

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the principal of and interest on the Refunded Bonds through maturity will be verified by Causey Demgen & Moore, Denver, Colorado (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Verification Agent's computations, the Refunded Bonds will be defeased and the obligation of the District to make payments of principal of and interest on the Refunded Bonds will cease.

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

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds

Principal Amount of Bonds
Total Sources

Uses of Funds

Escrow Fund Deposit
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Reflects all costs of issuance, including but not limited to the Underwriter's discount, demographics fees, filing fees, legal fees, financial and advisory fees, and the costs and fees of the Trustee and Escrow Agent.

CERTAIN 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.

General Considerations

The obligation of the District to pay debt service with respect to the Bonds does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation. The District is currently liable and may become liable on other obligations payable from its unrestricted general revenues.

District Indebtedness

The District has the capacity to enter into other obligations which may constitute additional charges against its unrestricted revenues. To the extent that additional obligations are incurred by the District, the funds available to pay debt service with respect to the Bonds may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before paying debt service with respect to the Bonds and other payments due under the Indenture.

Furthermore, the District has substantial existing indebtedness associated with funding its Post-Employment Benefits. See "DISTRICT POST-EMPLOYMENT BENEFIT PROGRAM." The payment of debt service or other payments in connection with such existing indebtedness could decrease funds available to pay debt service with respect to the Bonds, as detailed below.

Failure of Auctions with respect to CARS. Currently, no market exists for the conduct of Auctions with respect to the outstanding CARS, and the District can provide no assurances that such a market will develop by the respective Full Accretion Dates thereof. Furthermore, the District can provide no assurances as to the successful outcome of any Auction, if held. In the event an Auction is not held or otherwise fails, the applicable series of CARS will bear interest at the Maximum Auction Rate. The payment of debt service on the CARS at such interest rates could be materially adverse to the District's financial condition.

Failure to Convert CARS to Fixed-Rate Bonds. The 2005 Indenture sets forth the procedures and conditions that must be met for the District to convert the CARS to fixed-rate bonds, including the availability of funds sufficient to pay the applicable Tender Price having been deposited with the Trustee following the remarketing of such CARS to new holders. The District cannot predict the outcome of any such remarketing, nor can the District provide any assurances as to the availability of funds sufficient to pay the Tender Price on the CARS. The 2005 Indenture provides that, in the event such a conversion fails, the CARS will revert to the Auction Rate Period in effect immediately prior to the date set for conversion, and will bear interest at the Maximum Auction Rate.

Interest Rate Swaps. Currently, all of the Swap Agreements have negative values to the District, such that, if either the District or the Swap Provider elects to terminate one or all of the Swap Agreements, the District will be obligated to make Termination Payments to the Swap Provider in the amount of such negative values. Such payments could be substantial and potentially materially adverse to the District's financial condition. See "DISTRICT POST-EMPLOYMENT BENEFIT PROGRAM – Interest Rate Swaps" and Note 12 to the audited financial statements of the District attached hereto as APPENDIX A.

Limitation of Remedies

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against public agencies in 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 funding 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, if the delinquency rate exceeds 3% in any Fiscal Year, the County could discontinue such plan. See "DISTRICT FINANCIAL MATTERS – Alternative Method of Tax Apportionment – Teeter Plan."

The District also receives approximately 57% of its General Fund revenues from the State as allocated through a program funding formula per unit of full-time equivalent students ("FTES"). The District's FTES levels are dependent upon a number of factors, including, but not limited, to the general economic conditions within the County. A substantial decline in the District's FTES levels could have a

material adverse effect on the revenues of the District available to pay debt service on the Bonds. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.”

Economic Conditions in California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. Decreases in State revenues may significantly affect appropriations made by the State to community college districts. For a discussion of the potential impact of State budget actions for Fiscal Year 2011-12 on the District in particular, and in the State generally, see “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.”

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 has covenanted in the Indenture 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. Such covenant is a duty of the District imposed by law. See “APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. California community college districts (other than Basic Aid Districts, as described below) receive, on average, 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.

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 with immediate effect. 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 was 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” (“CDCP”) enhanced non-credit rate. Pursuant to SB 361, the Chancellor of the California Community Colleges (the “Chancellor”) developed 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.

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.

“Basic Aid” community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic Aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts’ primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is not a Basic Aid district.

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.

Tax Shifts and Triple Flip

Assembly Bill No. 1755 (“AB 1755”), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools, including community college districts. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required Education Revenue Augmentation Fund (“ERAF”) shift to \$135 million. Legislation commonly referred to as the “Triple Flip” was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the “Triple Flip.” Under the “Triple Flip,” one-quarter of local governments’ 1% share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse

impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues.

Budget Procedure

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 Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by June 10 a proposed State budget is presented by the governor to the 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 statewide governing board of the California community colleges (the "Board of Governors") and the 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 California's community college districts. In accordance with statutory and regulatory provisions, the 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 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 (1) assessing the financial condition of districts through the use of various information sources and (2) 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 assessing each district's financial condition, the 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 Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

The following table shows the District's general fund budgets for fiscal years 2008-09 through 2011-12, and the District's unaudited actual results for fiscal years 2008-09 through 2010-11. Although the District may satisfy its payment obligations under the Bonds from any money lawfully available in any fund of the District, the District expects its general fund to be the primary source of repayment for the Bonds.

GENERAL FUND BUDGETING
Peralta Community College District
Fiscal Years 2008-09 Through 2011-12

	<u>Fiscal Year 2008-09</u>		<u>Fiscal Year 2009-10</u>		<u>Fiscal Year 2010-11</u>		<u>Fiscal Year 2011-12</u>
	<u>Budgeted</u>	<u>Unaudited⁽¹⁾</u>	<u>Budgeted</u>	<u>Unaudited⁽¹⁾</u>	<u>Budgeted</u>	<u>Unaudited⁽²⁾</u>	<u>Budgeted</u>
REVENUES:							
Federal	\$4,245,727			\$5,989,863		\$6,523,886	
State	86,626,433			78,633,571		82,245,856	
Local	<u>39,462,410</u>			<u>45,036,811</u>		<u>42,523,028</u>	
TOTAL REVENUES	130,334,570			129,660,245		131,292,770	
EXPENDITURES:							
Academic Salaries	53,738,215			51,475,871		46,124,536	
Classified Salaries	29,275,257			28,708,953		26,695,476	
Employee Benefits	29,002,972			30,228,897		33,040,819	
Supplies and Materials	2,512,266			2,699,303		3,007,670	
Other Operating Expenses and Services	18,498,250			19,064,334		17,588,291	
Capital Outlay	<u>2,430,695</u>			<u>974,020</u>		<u>1,051,236</u>	
TOTAL EXPENDITURES	135,457,655			133,151,378		127,508,028	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(5,123,085)			(3,491,133)		3,784,742	
OTHER FINANCING SOURCES (USES)	6,650,408			8,039,398		5,800,000	
OTHER OUTGO	6,933,540			7,178,863		9,022,339	
NET INCREASE (DECREASE) IN FUND BALANCES	(5,406,217)			(2,630,598)		562,403	
BEGINNING FUND BALANCE:							
Net Beginning Balance, July 1	15,227,632			11,985,561		8,852,184	
Prior Year Adjustments	--			(502,779)		--	
Adjusted Beginning Balance	<u>--</u>			<u>11,482,782</u>		<u>--</u>	
ENDING FUND BALANCE, JUNE 30	<u>\$9,821,415</u>			<u>\$8,852,184</u>		<u>\$9,414,587</u>	

⁽¹⁾ Unaudited results for fiscal years 2008-09 and 2009-10 in object-oriented format provided for comparison. For audited results of the District's primary governmental funds for these fiscal years, see "DISTRICT FINANCIAL INFORMATION – Comparative Financial Statements."

⁽²⁾ As of _____, 2011.

Source: Peralta Community College District.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in May 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding “test” to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment (“COLA”) for the minimum guarantee for annual K-14 funding would be the change in California’s per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

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

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

A third formula, established pursuant to Proposition 111 as “Test 3,” provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of 1% of the prior-year funding level as a funding supplement.

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

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

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 70 ("SB 70"), which implements several provisions included in the Governor's proposed State budget for fiscal year 2011-12 (the "Proposed Budget"). Significant features of SB 70 relating to the funding of community college districts include the following:

- SB 70 raises minimum student fees from \$26 per credit to \$36 per credit.
- SB 70 extends, for an additional two fiscal years, existing flexibility options available to community college districts with respect to the use of specified categorical program funding for any general education purpose.
- SB 70 authorizes several new cross-fiscal year deferrals of State apportionments, as follows: (1) \$21.5 million to be deferred from January to October, (2) \$21.5 million to be deferred from February to October, (3) \$43 million to be deferred from March to October, (4) \$21.5 million to be deferred to from April to October, and (5) \$21.5 million to be deferred from May to October. Together with existing intra-fiscal year deferrals totaling \$221.5 million, the total amount of State apportionment deferred across fiscal years by SB 70 is \$961 million. These deferrals are also in addition to existing inter-fiscal year deferrals applicable to fiscal years 2010-11 and 2011-12. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Cash Management Legislation."
- With respect to the existing \$221.5 million June-to-July deferral, SB 70 implements hardship provisions for certain community college districts. Up to \$52 million of such deferral may be paid out in June to community college districts that certify they will be unable to meet their financial obligations absent receipt of the apportionment.
- SB 70 authorizes the State Director of Finance to adjust the State's Proposition 98 calculation to ensure that any shift in property taxes previously received by redevelopment agencies does not affect the State's minimum funding obligations under Proposition 98.

The full text of SB 70 is available at <http://www.leginfo.ca.gov/bilinfo>. However, such information is not incorporated herein by any reference.

2011-12 Budget. The 2011-12 Budget Act (the "2011-12 Budget") was signed into law by the Governor on June 30, 2011. The Department of Finance has released its summary of the 2011-12 Budget

(the “Department of Finance Report”). The following information is drawn from the Department of Finance Report.

The 2011-12 Budget seeks to close the \$26.6 billion deficit identified in the Governor’s May revision to the Proposed Budget (the “May Revision”) through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State’s revenue outlook totaling \$8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately \$1.2 billion above the amounts projected by the May Revision. As a result, the 2011-12 Budget projects an additional \$4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor’s proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State’s revenues.

With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of \$94.8 billion and expenditures of \$91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of \$2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of \$88.5 billion and authorizes total expenditures of \$85.9 billion. The 2011-12 Budget projects that the State will end fiscal year 2011-12 with a \$543 million surplus.

The 2011-12 Budget also includes a series of “trigger” reductions that are authorized to be implemented in the event the State’s revenues are less than forecasted. The first series of reductions, totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If by January of 2012 revenues are projected to fall short by more than \$2 billion, a second series of reductions totaling approximately \$1.9 billion would be implemented.

As part of the first series of “trigger” reductions, the 2011-12 Budget authorizes a reduction of \$30 million to community college apportionments which would be offset by a \$10 increase in per-credit student fees. As part of the second series of “trigger” reductions, the 2011-12 Budget authorizes a further reduction of \$72 million to community college apportionments.

Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State’s share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below). The 2011-12 Budget implements a net reduction of \$419 million to State general fund apportionments for community colleges resulting from a base reduction of \$400 million and a new deferral of \$129 million, both of which are offset by \$110 million in projected funding from increased student fees.

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a \$1.7

billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals \$1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

Recent Litigation Regarding State Budgetary Provisions. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "Petition") with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22." The petitioners allege, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The Petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims are adjudicated.

The District makes no representations regarding the viability of the claims in the Petition, nor can the District predict whether any of the petitioners will be successful. Moreover, the District makes no representations as to how any final decision by the State Supreme Court would affect the State's ability to fund education in fiscal year 2011-12, or in future fiscal years.

Future Actions. The District cannot predict the impact such actions, or future 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 or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution ("Article XIII A") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2% for any year, or decreases in the consumer price

index or comparable local data at a rate not to exceed 2% for any year, or to reflect reductions in property value caused by damage, destruction or other factors, including a general economic downturn.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which 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 California electric utility industry 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. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA- Major Revenues."

Article XIII B of the California Constitution

Article XIII B of the State Constitution ("Article XIII B"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after December 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986/87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA - Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111.”

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the

voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary and high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. The State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund

spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to community college districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. With respect to the funding of California community college districts, SB 82 authorizes the deferral of \$200 million and \$100 million from the July 2011 and March 2012 apportionments. These State apportionments are authorized to be deferred to October 2011 and May 2012, respectively. SB 82 also provided for an exemption to either or both of these deferrals for a community college district for which the State Chancellor, in consultation with the State Director of Finance, determined, prior to June 1, 2011, that such proposed deferral presented an imminent threat to such district's fiscal integrity and security. The District has not applied for or received an exemption from the deferrals authorized by SB 82.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 39, 47, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the District or the ability of the District to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

PERALTA COMMUNITY COLLEGE DISTRICT

General

The Peralta Community College District was formed in 1964 and serves a 78-square mile area in Alameda County, California, including the cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont. The District operates four colleges: Laney College in downtown Oakland, College of Alameda in Alameda, Merritt College in the hills above Oakland, and Berkeley City College in downtown Berkeley. For fiscal year 2011-12, the District has a projected enrollment of 18,500 students and an assessed valuation of \$69,914,597,440.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent financial reports of the District may be obtained by contacting: Peralta Community College District, Attention: Vice Chancellor, Finance & Administration, 333 E. Eighth Street, Oakland, California 94606; (510) 466-7200.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. William Riley	President	November 2012
Cy Gulassa	Vice President	November 2012
Marcie Hodge	Member	November 2012
Linda Handy	Member	November 2014
Nicky Gonzales Yuen	Member	November 2012
Bill Withrow	Member	November 2014
Abel Guillen	Member	November 2014

The management and policies of the District are administered by a Chancellor appointed by the Board of Trustees who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Wise E. Allen is the District Chancellor. Mr. Ronald Gerhard serves as the District's Vice Chancellor for Finance & Administration. Brief biographies follow:

Dr. Wise E. Allen, Chancellor. Dr. Allen was appointed as Chancellor of the District in 2010. Prior to his appointment as Chancellor, Dr. Allen served the District for over 35 years in various capacities, including an instructor, Dean, Vice President of Instruction at the College of Alameda and Berkeley City College, President of Merritt College and Berkeley City College, and Vice Chancellor for Educational Services of the District. Dr. Allen received Bachelor of Arts degrees in sociology and psychology from San Francisco State University, a Master of Arts degree in social welfare from Howard University, and a Doctorate degree in social and clinical psychology from the Wright Institute in Berkeley. A licensed clinical psychologist, Dr. Allen has also previously maintained a private psychology practice.

Ronald Gerhard, Vice Chancellor, Finance & Administration. [TO COME].

District Management Statement

[PREPARED BY DISTRICT/FINANCIAL ADVISOR; TO BE REVISED]. Over the past several years, the District has faced significant challenges resulting from deficiencies in its financial reporting and practices, reductions to State funding of education, and increased deferrals of State apportionment revenue. These challenges have in turn precipitated negative audit findings, grand jury investigations and a probationary period for the District's accredited status. See "—Accreditation," "—Recent Audit Findings," and "Grand Jury Investigation" herein. In response to these challenges, the District has taken several steps to strengthen its financial position:

Budget Reductions. The District has had to make difficult budgetary decisions to address the State's budget deficits, cash deferrals, and general fiscal distress. Over the course of the last three fiscal years, the District has made operating budget reductions in excess of \$15.5 million. These cuts have included expenditure and workload reductions, administrative reorganization, staffing reductions and reductions to instructional hours. The District's adopted budget for fiscal year 2011-12 included \$5 million of budgetary reductions, to be accomplished primarily through workload reductions. As a result,

the District's 2011-12 budget is balanced, and provides for contingency reserve fund of no less than 5% of general fund expenditures.

OPEB Charge. Responding to reductions in resources at the State level, in fiscal year 2010-11 the District implemented a restructuring of the Post-Employment Benefit program. The most notable change implemented is an internal Post-Employment Benefit payroll charge (the "OPEB Charge"). The OPEB charge is a function of the currently projected ARC, calculated as a percentage of payroll.

Based on the then-current actuarial study, the OPEB Charge was calculated at 12.5%. Beginning July 1, 2010, the District implemented this OPEB Charge on all retiree benefit eligible employees. This is a District paid charge and the funds will be transferred to the OPEB Trust to be invested in accordance with the Investment Policy. See "POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT." For fiscal year 2010-11, the OPEB Charge is estimated to have infused over \$6 million of additional funds into the OPEB Trust. Based upon the most-recent actuarial study dated June 30, 2010, the OPEB charge has been increased from 12.5% to 12.9%, and is expected to produce more than \$6 million of additional funds for the OPEB Trust during fiscal year 2011-12. The District currently expects that the OPEB Trust will, over the course of a 25 year period, introduce more than \$150 million in assets to assist in fully funding the AAL. It is the District's current intention to continue to implement this charge as well as implement a long term plan of finance for the Post-Employment Benefit program.

Grand Jury Investigation

Responding to public concerns regarding management and oversight of the District, the Alameda County Civil Grand Jury (the "Grand Jury") conducted investigations of the District during both fiscal years 2009-10 and 2010-11. In both instances, following extensive review of relevant documentation and interviews with District Board members and staff, the Grand Jury issued a report of its findings.

2009-10 Grand Jury Report. During its fiscal year 2009-10 session, the Grand Jury's investigation focused on compensation and benefits to District board members and the then-Chancellor, Board policies and procedures regarding reimbursement for travel, food and entertainment, the awarding of certain District contracts, recordkeeping and accountability, and recruitment of foreign students. Documentation requested from the District covered a period from June 1, 2008 through June 30, 2009. The Grand Jury did not extensively investigate the District's finances. However, it did find that the Board of Trustees and the then-Chancellor did not receive regular financial reports on a monthly or quarterly basis, and that District did not adopt a timely budget for fiscal year 2009-10. The Grand Jury encouraged future investigations of the District's finances. The 2009-10 Grand Jury report produced 16 recommendations to remedy perceived deficiencies in the oversight and expenditure of District funds, supervision of the Chancellor by the Board of Trustees, and enforcement of Board policies.

The Grand Jury requested a response from the District as to each of the 16 recommendations. The District responded to the Grand Jury's recommendations on August 23, 2010. The District disputed some of the factual determinations of the Grand Jury regarding the necessity of the foreign student recruitment program and propriety of paying for certain travel expense. Generally, however, the District indicated that steps had been or were being taken to implement all of the Grand Jury's recommendations. In particular, the District reported the hiring of an independent investigator to provide guidance concerning expense reimbursements, contracting and staff salary management.

2010-11 Grand Jury Report. During its 2010-11 session, the Grand Jury elected to examine more closely the financial management of the District, with a particular focus on the District's Post-Employment Benefit program. The Grand Jury reviewed much of the documentation pertaining to the

2005 OPEB Bonds and the Swap Agreements, interviewed several District officials, and observed several meetings of the Board of Trustees and its audit and finance committee. The Grand Jury noted that the District's financial difficulties had precipitated negative audit findings and a review of the District's accredited status. See "—Accreditation" and "—Recent Audit Findings." The Grand Jury identified positive steps taken by the District to improve its financial condition, including the hiring of experienced administrators, appointment of an expert consultant to guide the District's recovery, and development of a multi-year recovery plan and corrective action matrix. The Grand Jury ultimately observed as follows:

"It appears to the Grand Jury that the financial management of the district is now in competent hands. Since the trustees are now receiving timely and accurate financial data, they are in a stronger position to make informed financial decisions...The Grand Jury concludes that the current board is now heeding the advice of its expert consultant outlined in the Corrective Action Matrix, which the ACCJC requires. Periodic reviews and training sessions are currently taking place."

The Grand Jury reports are available electronically at <http://acgov.org/grandjury>. However, the information presented on such website is not incorporated herein by any reference. The District cannot make any representations as to whether it will be the subject of future inquiries by the Grand Jury.

Accreditation

The District's four colleges are fully accredited by the Accreditation Commission for Community and Junior Colleges ("ACCJC"). By letter dated June 30, 2011, the ACCJC issued a warning to the District resulting from certain deficiencies identified in the District's financial audits. See "—Recent Audit Findings." The District's accredited status continues through the warning period. A follow-up report to the ACCJC is due from the District by March 15, 2012, and is likely to be followed by a site visit from the ACCJC. A final decision on the rescission of the warning is expected by June of 2012.

Concurrently with the issuance of the warning, however, the ACCJC also removed the District's four colleges from probation status, which had been in place since June of 2010. The ACCJC's decision to rescind the probationary period followed continued efforts by management to address negative audit findings and improve the financial condition of the District. See "—District Management Statement."

Recent Audit Findings

The District's fiscal year 2009-10 audit sets out 32 separate findings identifying material weaknesses or significant deficiencies in the District's internal fiscal controls. The findings cover all areas of the District's finances, including administration, budgeting and financial reporting, accounting, strategic planning, and documentation and standardization of procedures. The vast majority of these audit findings are deficiencies identified in prior audits, and represent on-going challenges currently being addressed by District management. See "—District Management Statement." The District provided a response to each of the audit findings.

Of particular note, Audit Finding 2010-5 identified a material weakness in the District's review and reconciliation of investment activities concerning the OPEB Trust. In responding to the auditor's recommendations, the District indicated that, beginning in October of 2010, procedures were implemented requiring that all investment accounts be reconciled and reviewed on a monthly basis, and that quarterly reports will be taken to the Board of Trustees beginning in December of 2010. Audit Finding 2010-6 identified a material weakness regarding the lack of a formal policy on the use of interest

rate swap agreements. In its response, the District indicated it would work towards such a policy in conjunction with its financial advisors.

For more information regarding the audit findings, see “APPENDIX A – 2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

District Growth

The following table provides an six-year history of FTES for the District.

**FULL TIME EQUIVALENT STUDENTS
Fiscal Years 2006-07 through 2011-12
Peralta Community College District**

<u>Fiscal Year</u>	<u>Total FTES</u>	<u>Funded FTES</u>	<u>Unfunded FTES</u>
2006-07	19,058	19,058	--
2007-08	19,414	19,414	--
2008-09	20,359	19,805	554
2009-10	22,160	19,010	3,150
2010-11	19,926	19,501	425
2011-12 ⁽¹⁾	18,500	18,289	211

⁽¹⁾ Projected.

Source: Peralta Community College District.

Employment

The District currently employs 341 certificated employees, 395 classified employees and 27 managerial employees. The District also employs 786 part-time faculty and employees. District employees, except supervisors, management and some part-time employees, are represented by the three bargaining units as noted below:

**BARGAINING UNITS
Peralta Community College District**

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Expiration Date of Current Labor Agreement</u>
1,051	Peralta Federation of Teachers	June 30, 2012
293	AFL/CIO, Local 1021 (“Local 1021”)	June 30, 2012
78	International Union of Operating Engineers, Local 39 (“Local 39”)	June 30, 2012

Source: Peralta Community College District.

Pension Plans

The District participates in the State of California Teachers’ Retirement System (“STRS”). The plan includes basically all certificated employees. The District’s contribution to STRS was \$3,233,338 in fiscal year 2009-10, approximately \$3,600,000 in fiscal year 2010-11, and is budgeted to be \$2,900,000 for fiscal year 2011-12. The District also participates in the State of California Public Employees’ Retirement System (“PERS”). This plan covers basically all regular classified personnel who are employed four or more hours per day. The District’s contribution to PERS was \$2,574,555 in

fiscal year 2009-10, approximately \$2,600,000 in fiscal year 2010-11, and is budgeted to be \$2,200,000 for fiscal year 2011-12.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school or community college district, it is impossible to determine the District's share. The District is required to contribute to PERS at an actuarially determined rate, which for fiscal year 2011-12 is 10.923% of such expenditures, while participants contribute 7% of their respective salaries.

Other Post-Employment Benefits

For information regarding the District's Other Post-Employment Benefits, see "PERALTA OTHER POST-EMPLOYMENT BENEFIT PROGRAM" herein.

Risk Management

The District participates in joint powers agreements with the Schools Excess Liability Fund, the Alliance of Schools for Cooperative Insurance Programs, and the Alameda County Schools Insurance Group (each, a "JPA") for its property, liability and health insurance. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The table on the following page reflects the District's audited revenues, expenditures and fund balances from fiscal years 2006-07 through 2009-10, in the revised reporting format. The revised reporting format provides a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. Although the District may satisfy its payment obligations under the Bonds from any money lawfully available in any fund of the District, the District expects its general fund to be the primary source of repayment for the Bonds. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Budget Procedure."

**AUDITED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT
FISCAL YEARS 2006-07 THROUGH 2009-10
Peralta Community College District
(Revised Reporting Format)**

	<u>Fiscal Year 2006-07</u>	<u>Fiscal Year 2007-08</u>	<u>Fiscal Year 2008-09</u>	<u>Fiscal Year 2009-10</u>
OPERATING REVENUES				
Enrollment, tuition and other fees (gross)	\$14,182,962	\$14,031,452	\$18,282,925	\$21,510,031
Less: Scholarship discounts and allowances	<u>(5,471,677)</u>	<u>(4,628,626)</u>	<u>(5,659,860)</u>	<u>(8,478,561)</u>
Net enrollment, tuition and other fees	8,711,285	9,402,826	12,623,065	13,031,470
Other Operating Revenue	--	--	42,000	--
Grant and contracts, non-capital:				
Federal	18,219,958	20,284,519	--	--
State	<u>15,266,928</u>	<u>17,419,931</u>	--	--
TOTAL OPERATING REVENUES	42,198,171	47,107,276	12,665,065	13,031,470
OPERATING EXPENSES				
Salaries	72,240,387	81,126,832	88,160,283	81,366,148
Employee benefits	26,704,932	34,914,739	36,507,541	38,638,983
Supplies, materials and other operating expenses and services	42,602,003	57,171,135	43,092,401	47,367,015
Student financial aid	--	--	18,456,998	28,503,569
Equipment, maintenance, and repairs	4,755,769	3,012,624	3,449,441	4,029,137
Depreciation	<u>6,239,549</u>	<u>7,945,154</u>	<u>13,727,241</u>	<u>14,318,765</u>
TOTAL OPERATING EXPENSES	152,542,640	184,170,484	203,393,905	214,223,617
OPERATING INCOME (LOSS)	(110,344,469)	(137,063,208)	(190,728,840)	(201,192,147)
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	68,816,841	70,036,525	73,234,560	66,016,450
Federal grants and contracts	--	--	21,602,216	33,173,918
State grants and contracts	--	--	16,848,762	11,502,026
Local property taxes, levied for general purposes	23,608,268	25,914,548	26,712,965	27,845,145
Taxes levied for specific purposes	18,117,462	16,180,584	26,195,961	31,198,641
State taxes and other revenues	4,832,967	4,498,338	4,381,396	4,604,101
Interest income	7,930,019	8,258,646	4,985,863	19,083,951 ⁽¹⁾
Realized gain (loss) on investments	11,069,450	(6,016,666)	(17,546,738)	(228,489)
Unrealized gain (loss) on investments	15,591,510	(5,816,487)	(13,176,140)	10,326,495
Interest expense on capital related debt	(12,908,020)	(15,886,624)	(18,890,460)	(22,699,196)
Investment income on capital asset-related debt, net	517,786	503,413	218,465	91,190
Transfer to agency fund	(148,360)	(170,113)	(70,408)	--
Other non-operating revenue	<u>2,494,892</u>	<u>4,760,657</u>	<u>594,088</u>	<u>6,286,320</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	139,922,815	102,262,821	125,090,530	187,200,552
INCOME BEFORE OTHER REVENUES	29,578,346	(34,800,387)	(65,638,310)	(13,991,595)
State revenues, capital	4,212,725	(259,687)	284,233	268,450
CHANGE IN NET ASSETS	33,791,071	(35,060,074)	(65,354,077)	(13,723,145)
NET ASSETS, BEGINNING OF YEAR	<u>120,379,378</u>	<u>154,170,449</u>	<u>137,634,874⁽²⁾</u>	<u>72,280,797</u>
NET ASSETS, END OF YEAR	<u>\$154,170,449</u>	<u>\$119,110,375</u>	<u>\$72,280,797</u>	<u>\$58,557,652</u>

⁽¹⁾ Increase in interest income reflects investment earnings on the general obligation bond proceeds currently on deposit in the Alameda County Investment Pool, as well as improved performance of the District's OPEB Trust investments.

⁽²⁾ Reflects a positive restatement of \$18,524,499 from the prior fiscal year's ending balance resulting from accounting errors which understated the value of previously reported capital assets and student fee revenue as of June 30, 2008. The District corrected these errors during fiscal year 2008-09.

Source: Peralta Community College District.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located 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 public utilities 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.” A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, 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 beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

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, non-profit 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.

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed and re-assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.” Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2011-12 of \$69,914,597,440. Shown in the following table are the assessed valuations for the District for the period 2001-02 through 2011-12.

ASSESSED VALUATIONS
Fiscal Years 2001-02 through 2011-12
Peralta Community College District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$37,318,356,349	\$69,521,984	\$3,013,135,862	\$40,401,014,195
2002-03	40,603,084,619	63,876,924	3,016,206,138	43,683,167,681
2003-04	44,251,166,711	81,595,784	3,063,065,459	47,395,827,954
2004-05	47,714,750,990	111,281,411	3,360,016,957	51,186,049,358
2005-06	52,428,856,393	109,264,298	3,578,987,860	56,117,108,551
2006-07	58,241,811,812	100,637,317	3,620,577,803	61,963,026,932
2007-08	63,764,867,724	65,837,821	3,679,061,452	67,509,766,997
2008-09	67,445,255,792	63,223,198	3,810,542,834	71,319,021,824
2009-10	66,522,939,045	46,733,172	4,020,070,591	70,589,742,808
2010-11	64,961,992,759	49,831,971	4,245,887,076	69,257,711,806
2011-12	65,548,458,111	31,270,530	4,334,868,799	69,914,597,440

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its

current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.”

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies, Collections and Delinquencies

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. A supplemental tax is levied when property changes hands or new construction is completed.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the tax-collecting authority of the relevant county.

In the case of unsecured property taxes, 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 beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County’s taxing boundaries.

The annual secured tax levies and delinquencies within the District for fiscal years 2000-01 through 2009-10 are shown below.

SECURED TAX CHARGES AND DELINQUENCIES
2000-01 through 2009-10⁽¹⁾
Peralta Community College District

	Secured <u>Tax Charge⁽²⁾</u>	Amount Delinquent <u>(as of June 30)</u>	Percent Delinquent <u>(as of June 30)</u>
2000-01	\$7,369,691.36	\$161,421.99	2.19%
2001-02	8,676,317.51	255,655.15	2.95
2002-03	9,385,357.83	272,777.54	2.91
2003-04	9,846,232.83	231,215.81	2.35
2004-05	10,488,214.20	250,210.73	2.39
2005-06	11,293,516.86	312,508.31	2.77
2006-07	12,350,528.59	551,569.73	4.47
2007-08	13,238,845.95	792,868.03	5.99
2008-09	13,751,926.85	820,180.32	5.96
2009-10	13,586,208.51	555,216.41	4.09

	Secured <u>Tax Charge⁽³⁾</u>	Amount Delinquent <u>(as of June 30)</u>	Percent Delinquent <u>(as of June 30)</u>
2000-01	\$2,776,279.43	\$69,771.08	2.51%
2001-02	5,964,439.92	176,957.64	2.97
2002-03	7,414,384.04	235,294.99	3.17
2003-04	6,967,458.57	183,503.35	2.63
2004-05	9,800,651.00	249,812.56	2.55
2005-06	12,359,664.10	349,084.14	2.82
2006-07	15,733,876.41	643,760.98	4.09
2007-08	14,096,016.91	752,148.59	5.34
2008-09	24,068,418.01	1,167,310.16	4.85
2009-10	28,240,425.72	1,089,919.19	3.86

⁽¹⁾ Delinquencies for fiscal years 2010-11 and 2011-12 are not yet available. Alameda County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. See "DISTRICT FINANCIAL INFORMATION – Alternative Method of Apportionment – Teeter Plan."

⁽²⁾ 1% general fund apportionment.

⁽³⁾ General obligation bond debt service levy only.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special

assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Assessed Valuation and Parcels by Land Use

The following table presents a breakdown of the District's secured assessed valuation by land use.

ASSESSED VALUATION AND PARCELS BY LAND USE Peralta Community College District

	2011-12 <u>Assessed Valuation</u> ⁽¹⁾	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Rural	\$160,020	0.00%	3	0.00%
Commercial	10,455,846,228	15.95	8,911	5.06
Vacant Commercial	295,531,222	0.45	589	0.33
Industrial	6,498,579,653	9.91	3,522	2.00
Vacant Industrial	142,793,953	0.22	541	0.31
Recreational	147,747,834	0.23	571	0.32
Government/Social/Institutional	<u>301,285,161</u>	<u>0.46</u>	<u>4,274</u>	<u>2.43</u>
Subtotal Non-Residential	\$17,841,944,071	27.22%	18,411	10.46%
Residential:				
Single Family Residence	\$35,333,179,190	53.90%	111,445	63.32%
Condominium/Townhouse	3,167,740,056	4.83	15,392	8.75
Mobile Home	9,637,509	0.01	54	0.03
Mobile Home Park	1,410,638	0.00	3	0.00
2-4 Residential Units	4,501,532,110	6.87	20,401	11.59
5+ Residential Units/Apartments	4,261,861,328	6.50	5,034	2.86
Vacant Residential	<u>431,153,209</u>	<u>0.66</u>	<u>5,265</u>	<u>2.99</u>
Subtotal Residential	\$47,706,514,040	72.78%	157,594	89.54%
Total	\$65,548,458,111	100.00%	176,005	100.00%

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

Assessed Valuation of Single Family Homes

The following table displays the 2011-12 assessed valuations of single family residential parcels within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES Peralta Community College District

Single Family Residential	No. of <u>Parcels</u>	2011-12 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
	111,445	\$35,333,179,190	\$317,046	\$223,437

2011-12 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$24,999	831	0.746%	0.746%	\$13,862,273	0.039%	0.039%
\$25,000 - \$49,999	8,955	8.035	8.781	349,848,135	0.990	1.029
\$50,000 - \$74,999	8,175	7.335	16.116	508,142,473	1.438	2.468
\$75,000 - \$99,999	8,481	7.610	23.727	736,289,301	2.084	4.551
\$100,000 - \$124,999	7,719	6.926	30.653	864,469,924	2.447	6.998
\$125,000 - \$149,999	7,046	6.322	36.975	959,420,287	2.715	9.713
\$150,000 - \$174,999	5,661	5.080	42.055	915,509,302	2.591	12.304
\$175,000 - \$199,999	4,977	4.466	46.521	928,732,223	2.628	14.933
\$200,000 - \$224,999	4,394	3.943	50.463	929,855,080	2.632	17.565
\$225,000 - \$249,999	3,749	3.364	53.827	887,777,564	2.513	20.077
\$250,000 - \$274,999	3,696	3.316	57.144	964,975,382	2.731	22.808
\$275,000 - \$299,999	3,495	3.136	60.280	1,001,842,714	2.835	25.644
\$300,000 - \$324,999	3,069	2.754	63.034	957,510,267	2.710	28.354
\$325,000 - \$349,999	2,812	2.523	65.557	947,213,875	2.681	31.034
\$350,000 - \$374,999	2,747	2.465	68.022	992,998,347	2.810	33.845
\$375,000 - \$399,999	2,625	2.355	70.377	1,015,519,045	2.874	36.719
\$400,000 - \$424,999	2,563	2.300	72.677	1,055,489,707	2.987	39.706
\$425,000 - \$449,999	2,160	1.938	74.615	942,342,334	2.667	42.373
\$450,000 - \$474,999	2,365	2.122	76.737	1,090,474,316	3.086	45.459
\$475,000 - \$499,999	1,915	1.718	78.456	931,698,054	2.637	48.096
\$500,000 and greater	<u>24,010</u>	<u>21.544</u>	100.000	<u>18,339,208,587</u>	<u>51.904</u>	100.000
Total	111,445	100.000%		\$35,333,179,190	100.000%	

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

Tax Rates

A representative tax rate area (“TRA”) located within the District is Tax Rate Area 17-001. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in this TRA during the five-year period from 2006-07 through 2010-11. Tax rate information for fiscal year 2011-12 is not currently available.

TOTAL TYPICAL TAX RATES (TRA – 17-001) Peralta Community College District

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Oakland Unified School District Bonds	.0801	.0806	.0835	.1259	.1267
Oakland Unified School District State Loan	.0001	.0001	--	--	--
Peralta Community College District Bonds	.0272	.0223	.0362	.0430	.0430
Bay Area Rapid Transit District	.0050	.0076	.0090	.0057	.0031
East Bay Municipal Utility District Bonds	.0068	.0065	.0064	.0065	.0084
East Bay Regional Park District Bonds	.0085	.0080	.0100	.0108	.0067
City of Oakland	<u>.2182</u>	<u>.2023</u>	<u>.1929</u>	<u>.2189</u>	<u>.2207</u>
Total	1.3459%	1.3274%	1.3380%	1.4108%	1.4086%

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2011-12 secured assessed valuations.

LARGEST 2011-12 LOCAL SECURED TAXPAYERS Peralta Community College District

	<u>Property Owner</u>	<u>2011-12 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1.	CIM Oakland LP	Office Building	\$438,861,069	0.67%
2.	Bayer Healthcare LLC	Industrial	269,118,095	0.41
3.	OCC Venture LLC	Office Building	230,646,313	0.35
4.	Pixar	Commercial/Office	223,718,261	0.34
5.	Madison Manhattan Village LLC	Shopping Center	202,503,026	0.31
6.	Chiron Corporation	Office Building	202,400,156	0.31
7.	Legacy Partners I Alameda LLC	Office Building	201,542,803	0.31
8.	SIC Lakeside Drive LLC	Office Building	181,187,380	0.28
9.	Kaiser Foundation Health Plan Inc. ⁽²⁾	Office Building	171,060,438	0.26
10.	Digital 720 2 nd LLC	Industrial	166,740,448	0.25
11.	Emeryville Office LLC	Office Building	136,500,500	0.21
12.	Oakland Property LLC	Office Building	132,000,000	0.20
13.	1800 Harrison Foundation	Office Building	122,558,413	0.19
14.	555 Twelfth Street Venture LLC	Office Building	116,450,317	0.18
15.	Suncal Oak Knoll LLC	Planned Residential	114,575,365	0.17
16.	KW Alameda LLC	Apartments	105,529,615	0.16
17.	Clorox Company	Office Building	101,330,984	0.15
18.	STRS Ohio CA Real Estate Investments I LLC	Apartments	100,449,872	0.15
19.	East Bay Bridge Retail LLC	Shopping Center	95,594,422	0.15
20.	BRE-FMCA LLC	Apartments	<u>88,344,984</u>	<u>0.13</u>
			\$3,401,112,461	5.19%

⁽¹⁾ 2011-12 Local secured assessed valuation: \$65,548,458,111.

⁽²⁾ Excludes tax-exempt property.

Source: California Municipal Statistics, Inc.

District Debt

Short-Term Debt. On August 9, 2011, the District issued \$18,000,000 of its 2011-12 Tax and Revenue Anticipation Notes (the “Notes”) to fund seasonal cashflow deficits of the District. The Notes mature on June 29, 2012, with yield of 2.00%. The Notes are a general obligation of the District, payable from State apportionments to be received by the District during fiscal year 2011-12.

Long-Term Debt. A schedule of changes of the District in long-term debt for the year ended June 30, 2010, is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	(Amortization)/ <u>Accretion</u>	<u>Deductions</u>	<u>Ending Balance</u>
General obligation bonds	\$366,372,491	\$145,251,073	\$(631,761)	\$(48,240,000)	\$462,751,803
2005 Taxable limited obligation OPEB Bonds ⁽¹⁾	119,278,730	--	6,523,506	--	125,802,236
2006 OPEB Bond modification and restructuring	10,688,044	--	--	--	10,688,044
2009 OPEB refunding	<u>48,725,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>48,725,000</u>
Total Bonds Payable	545,064,265	145,251,073	5,891,745	(48,240,000)	647,967,083
Other liabilities					
Postemployment benefits obligation ⁽²⁾	9,850,919	12,408,000	--	(9,016,427)	13,242,492
Claims liability	1,649,000	160,778	--	--	1,809,778
Load banking	1,900,000	--	--	--	1,900,000
Compensated absences	<u>3,921,846</u>	<u>62,398</u>	<u>--</u>	<u>--</u>	<u>3,984,244</u>
Total Long-Term Obligations	<u>\$562,386,030</u>	<u>\$157,882,249</u>	<u>\$5,891,745</u>	<u>\$(57,256,427)</u>	<u>\$668,903,597</u>

⁽¹⁾ Does not reflect the District’s obligations with respect to the Swap Agreements. Because the Series B-1 CARS has been refunded, the change in fair market value during fiscal year 2009-10 of the corresponding Swap Agreement, in an amount of \$3,481,160, has been reported as a current liability in the District’s Statement of Net Assets. The changes in fair market value of the other Swap Agreements are reported as current assets in the District’s Statement of Net Assets. See “APPENDIX A – 2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Statement of Net Assets – Primary Government” and “—Note 12 – Interest Rate Swaps.”

⁽²⁾ Reflects the change in the District’s net OPEB obligation, based on its contributions towards the ARC. See “POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT – Accrued Liability.”

Other Post-Employment Benefit Bonds. The District has substantial outstanding debt associated with funding its Post-Employment Benefits, payable from monies in any lawfully available fund of the District, including its general fund. See “POST-EMPLOYMENT BENEFIT PROGRAM OF THE DISTRICT” and “DEBT SERVICE SCHEDULES” herein.

General Obligation Bonds. The District has issued general obligation bonds (“General Obligation Bonds”) pursuant to several voter-approved authorizations. The proceeds of such General Obligation Bonds have been used to renovate, construct and acquire District sites and facilities, as well as the refunding of prior outstanding debt. The General Obligation Bonds are payable solely from *ad valorem* taxes levied by the County upon all property subject to taxation by the District without limitation of rate or amount (with the exception of certain personal property which is taxable at limited rates). The District’s general fund is not a source of payment for the General Obligation Bonds.

The following table summarizes the outstanding General Obligation Bond issuances by the District.

<u>Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal</u>	
		<u>Outstanding as of June 30, 2011</u>	<u>Date of Delivery</u>
Election of 1992, Series C ⁽¹⁾	\$8,000,000	\$5,075,000	June 12, 1997
Election of 2000, Series B	30,000,000	8,450,000	May 30, 2002
Election of 2000, Series C	40,000,000	35,965,000	May 27, 2004
Election of 2000, Series D	55,700,000	50,745,000	July 21, 2005
Election of 2006, Series A	75,000,000	66,570,000	August 31, 2006
Election of 2006, Series B	100,000,000	96,750,000	November 27, 2007
Election of 2006, Series C	100,000,000	100,000,000	September 15, 2009
2002 Refunding Bonds ⁽²⁾	7,310,000	3,825,000	October 24, 2002
2005 Refunding Bonds ⁽³⁾	32,975,000	31,145,000	September 13, 2005
2009 Refunding Bonds ⁽⁴⁾	39,080,000	37,050,000	January 14, 2010

⁽¹⁾ On June 30, 2005, the Golden West Schools Financing Authority issued its 2005 General Obligation Revenue Bonds, the proceeds of which were used to purchase the Election of 1992, Series C Bonds.

⁽²⁾ Refunded the District’s outstanding Election of 1992 Series A Bonds

⁽³⁾ Refunded portions of the District’s outstanding Election of 1992 Series D Bonds, Election of 1992 Series E Bonds, Election of 1996 Series A Bonds and Election of 2000 Series A Bonds. On September 13, 2005, the Golden West Schools Financing Authority issued its 2005 General Obligation Revenue Bonds, Series B, the proceeds of which were used to purchase the 2005 Refunding Bonds.

⁽⁴⁾ Refunded the District’s outstanding 2001 Refunding General Obligation Bonds, the remaining outstanding Election of 2000 Series A Bonds, and a portion of the Election of 2000 Series B Bonds.

The following table displays the annual debt service requirements of the District for all of its outstanding general obligation bonds.

OUTSTANDING GENERAL OBLIGATION BONDED DEBT
Peralta Community College District

Year Ending August 1	Election of 1997 Series C Bonds	Election of 2000 Series B Bonds	Election of 2000 Series C Bonds	Election of 2000 Series D Bonds	Election of 2006 Series A Bonds	Election of 2006 Series B Bonds	Election of 2006 Series C Bonds	2002 Refunding Bonds	2005 Refunding Bonds	2009 Refunding The Bonds	Total Debt Service
2012	\$607,750.00	\$443,625.00	\$2,648,231.26	\$3,556,550.00	\$5,107,900.00	\$6,583,900.00	\$5,013,862.50	\$621,710.00	2,706,024.75	\$3,620,325.00	\$30,909,878.51
2013	609,285.00	443,625.00	2,652,956.26	3,555,850.00	5,107,300.00	6,579,275.00	5,825,662.50	620,411.25	2,703,851.15	3,627,450.00	31,725,666.16
2014	609,532.50	443,625.00	2,654,756.26	3,553,350.00	5,108,400.00	6,580,150.00	6,341,912.50	622,765.00	3,410,084.30	2,892,950.00	32,217,525.56
2015	613,385.00	443,625.00	2,639,025.01	3,547,650.00	5,106,100.00	6,576,275.00	6,876,962.50	623,631.25	3,423,212.83	2,877,200.00	32,727,066.59
2016	610,762.50	443,625.00	2,637,343.76	3,543,150.00	5,100,400.00	6,572,525.00	7,417,187.50	622,950.00	3,400,684.00	2,897,075.00	33,245,702.76
2017	616,562.50	443,625.00	2,600,468.76	3,552,350.00	5,101,100.00	6,573,525.00	6,755,062.50	620,807.50	3,392,666.35	2,883,950.00	32,540,117.61
2018	615,850.00	443,625.00	2,596,968.76	3,550,650.00	5,098,000.00	6,566,093.75	6,763,937.50	622,200.00	3,383,417.90	2,865,575.00	32,506,317.91
2019	618,625.00	443,625.00	2,595,843.76	3,546,750.00	5,083,000.00	6,564,700.00	6,752,937.50	--	3,384,932.15	2,851,825.00	31,842,238.41
2020	619,750.00	443,625.00	2,591,968.76	3,537,750.00	5,079,750.00	6,561,612.50	6,743,968.75	--	3,384,222.80	2,167,200.00	31,129,847.81
2021	624,087.50	443,625.00	2,586,918.76	3,537,750.00	5,074,875.00	6,556,568.75	6,741,000.00	--	3,372,817.85	2,169,450.00	31,107,092.86
2022	621,637.50	443,625.00	2,581,518.76	3,533,750.00	5,073,000.00	6,554,175.00	6,736,337.50	--	2,354,585.58	3,182,906.25	31,081,535.59
2023	--	443,625.00	2,573,821.88	3,530,625.00	5,068,750.00	6,549,037.50	6,732,856.25	--	2,360,942.78	3,188,862.50	30,448,520.91
2024	--	443,625.00	2,561,725.00	3,533,000.00	5,066,750.00	6,549,750.00	6,729,937.50	--	2,356,167.30	3,178,650.00	30,419,604.80
2025	--	443,625.00	2,550,050.00	3,530,625.00	5,061,625.00	6,541,375.00	6,737,275.00	--	2,352,483.45	3,171,340.63	30,388,399.08
2026	--	443,625.00	2,538,500.00	3,523,500.00	5,058,000.00	6,539,875.00	6,723,693.75	--	1,322,643.60	3,168,081.26	29,317,918.61
2027	--	443,625.00	2,532,125.00	3,521,375.00	5,050,500.00	6,534,750.00	6,720,443.75	--	--	3,169,631.26	27,972,450.01
2028	--	1,973,625.00	2,526,875.00	3,518,875.00	5,048,625.00	6,530,625.00	6,708,687.50	--	--	3,162,106.26	29,469,418.76
2029	--	1,968,300.00	2,517,625.00	3,515,750.00	5,041,875.00	6,527,000.00	6,702,525.00	--	--	1,671,378.13	27,944,453.13
2030	--	1,964,037.50	2,514,125.00	3,516,625.00	5,034,875.00	6,518,500.00	6,701,256.25	--	--	1,669,893.75	27,919,312.50
2031	--	1,960,575.00	2,506,125.00	3,511,250.00	5,032,000.00	6,514,625.00	6,703,750.00	--	--	1,665,475.00	27,893,800.00
2032	--	1,957,650.00	2,498,500.00	3,509,375.00	5,027,625.00	6,509,750.00	6,699,500.00	--	--	1,662,525.00	27,864,925.00
2033	--	--	2,491,000.00	3,505,625.00	--	6,503,375.00	6,689,625.00	--	--	--	19,189,625.00
2034	--	--	2,483,375.00	3,499,750.00	--	6,499,875.00	6,683,625.00	--	--	--	19,166,625.00
2035	--	--	2,475,375.00	3,496,375.00	--	6,493,625.00	6,680,750.00	--	--	--	19,146,125.00
2036	--	--	--	3,490,125.00	--	6,484,125.00	6,675,375.00	--	--	--	16,649,625.00
2037	--	--	--	--	--	6,475,750.00	6,667,000.00	--	--	--	13,142,750.00
2038	--	--	--	--	--	6,467,750.00	6,660,000.00	--	--	--	13,127,750.00
2039	--	--	--	--	--	--	6,653,625.00	--	--	--	6,653,625.00
2040	--	--	--	--	--	--	6,647,125.00	--	--	--	6,647,125.00
Total	\$6,767,227.50	\$16,922,187.50	\$61,555,221.99	\$88,218,425.00	\$106,530,450.00	\$176,508,587.50	\$192,485,881.25	\$4,354,475.00	\$43,308,736.79	\$57,743,850.04	\$754,395,042.57

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. dated as of September 1, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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PERALTA COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Debt

2011-12 Assessed Valuation: \$69,914,597,440
 2010-11 Adjusted Assessed Valuation: \$54,931,942,439 (2011-12 redevelopment incremental valuation not yet available)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 9/1/11</u>
Bay Area Rapid Transit District	12.624%	\$52,079,050
Peralta Community College District	100.000	426,010,000
Alameda Unified School District	100.000	71,975,326
Albany Unified School District	100.000	41,040,000
Berkeley Unified School District	100.000	227,689,222
Oakland Unified School District	100.000	700,520,000
Emery and Piedmont Unified School Districts	100.000	112,458,392
City of Alameda	100.000	9,155,000
City of Albany	100.000	17,420,000
City of Berkeley	100.000	79,075,000
City of Oakland	97.513	255,187,250
East Bay Municipal Utility District, Special District No. 1	92.271	22,647,917
East Bay Regional Park District	19.562	25,556,775
City of Alameda Community Facilities District Nos. 1 and 2	100.000	11,445,000
City of Berkeley Community Facilities District No. 1	100.000	6,050,000
City 1915 Act Bonds (Estimate)	100.000	<u>43,858,483</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,102,167,415

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	32.567%	\$231,718,113
Alameda County Pension Obligations	32.567	50,343,613
Alameda-Contra Costa Transit District Certificates of Participation	39.734	13,702,270
Peralta Community College District Benefit Obligations	100.000	151,709,090⁽²⁾
Alameda Unified School District Certificates of Participation	100.000	1,345,000
Oakland Unified School District Certificates of Participation	100.000	57,270,000
City of Alameda Certificates of Participation	100.000	12,470,000
City of Albany General Fund Obligations	100.000	275,000
City of Berkeley General Fund Obligations	100.000	38,370,000
City of Berkeley Pension Obligations	100.000	2,285,000
City of Emeryville General Fund Obligations	100.000	5,155,000
City of Oakland General Fund Obligations	97.513	357,468,031
City of Oakland Pension Fund Obligations	97.513	<u>190,770,971</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$1,112,882,088

COMBINED TOTAL DEBT \$3,215,049,503⁽³⁾

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$426,010,000)..... 0.61%
 Total Direct and Overlapping Tax and Assessment Debt..... 3.01%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$577,719,090) 1.05%
 Combined Total Debt..... 5.85%

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

⁽¹⁾ Based on 2010-11 ratios.

⁽²⁾ Excludes the Bonds to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

LEGAL MATTERS

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bonds (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity of such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond Owner will increase such Bonds Owner's basis in the Bonds.

The State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Any federal tax advice contained herein is not intended or written to be used, and it cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended (the "Code") or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein with respect to the Bonds. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is included in APPENDIX C hereto.

Continuing Disclosure

The District has covenanted in a Continuing Disclosure Certificate for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 following the end of the District's fiscal year (currently, the District's fiscal year ends on June 30), commencing with the report due on March 31, 2012, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be made available and to be contained in the notices of listed events is summarized in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Within the past five years, the District failed to file in a timely manner certain portions of the annual report for fiscal year 2008-09, as required by the District's prior continuing disclosure undertakings. A complete report for such year was filed in July of 2011. The District is currently in compliance with all of its prior continuing disclosure undertakings.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to issue and retire the Bonds.

Certain Legal Matters

Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the District, will render an opinion with respect to the Bonds substantially in the form attached hereto as APPENDIX C. Copies of such approving opinion will be available at the time of issuance of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The payment of fees of Bond Counsel is contingent upon the closing of the Bonds transaction. Certain legal matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

RATINGS

Moody's Ratings Service ("Moody's") and Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC, business ("Standard & Poor's"), have assigned ratings of "___" and "___," respectively, to the Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Bonds are being purchased by J.P. Morgan Securities LLC (the "Underwriter"). The Underwriter has agreed, pursuant to a contract of purchase (the "Contract of Purchase") by and between the District and the Underwriter, to purchase the Bonds at a price of \$_____, which is equal to the initial principal amount thereof, and less the Underwriter's discount of \$_____. The Contract of Purchase provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

J.P. Morgan Securities LLC, the Underwriter of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this

transaction), each of UBSFS and CS& Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the Board of Trustees of the District.

PERALTA COMMUNITY COLLEGE DISTRICT

By: _____

Dr. Wise E. Allen
Chancellor

APPENDIX A

2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF OAKLAND AND BERKELEY AND THE COUNTY OF ALAMEDA

The following economic data for the City of Oakland (“Oakland”), the City of Berkeley (“Berkeley,” and together with Oakland, the “Cities”) and the County of Alameda (the “County”) are presented for information purposes only. The Bonds are not a debt or obligation of the Cities or the County. Information in this Appendix has been assembled from various sources believed to be reliable; however, the District does not warrant the accuracy or thoroughness of this information.

The County is located on the east side of the San Francisco Bay and extends from Berkeley and the city of Albany in the north to the city of Fremont in the south. It is the seventh most populous county in the State, with most of its population concentrated in a highly urbanized area between the San Francisco Bay and the East Bay Hills.

Oakland is a major West Coast port city in the San Francisco Bay, across from the city of San Francisco. Incorporated in 1852, Oakland is the county seat of the County and is the nexus of the region’s “East Bay.” Oakland is a transportation hub for the region, and its shipping port is the fifth busiest in the United States, with nearly 200,000 jobs related to marine cargo transport in Oakland. Oakland encompasses a total area of 78 square miles, and nearly 20 miles of Oakland is shoreline.

Berkeley borders Oakland to the north. Located in northern Alameda County, the eastern city limits coincide with the county line of Contra Costa County. Berkeley is the home of the world-renowned University of California, Berkeley and the Lawrence Berkeley National Laboratory.

Oakland and Berkeley are both served by a number of different transportation providers, including Amtrak, AC Transit, Bay Area Rapid Transit and bus shuttles operated by the region’s major employers. Public transit use rates as a percentage of population are among the highest in the nation in both cities. For drivers, the eastern end of the Bay Bridge is in Oakland, from which it diverts into Interstate 580, Interstate 880, and the Eastshore Freeway (Interstate 80/I-580) runs along the bay shoreline through Berkeley as it heads north. The region is also served by three international airports: Oakland International Airport, San Francisco International Airport, and San Jose International Airport.

Population

The following table summarizes population figures for the Cities, the County and the State of California.

POPULATION City of Berkeley, City of Oakland, County of Alameda and State of California 2000-2011

<u>Year</u> ⁽¹⁾	<u>Population</u>	<u>Annual % Change</u>						
2000 ⁽²⁾	102,743	--	399,566	--	1,443,939	--	33,873,086	--
2001	103,695	0.9%	399,262	(0.1%)	1,457,185	0.9%	34,256,789	1.1%
2002	104,793	1.1	399,296	0.0	1,467,063	0.7	34,725,516	1.4
2003	105,139	0.3	397,440	(0.5)	1,467,892	0.1	35,163,609	1.3
2004	105,611	0.4	394,917	(0.6)	1,466,407	(0.1)	35,570,847	1.2
2005	105,880	0.3	389,937	(1.3)	1,462,736	(0.3)	35,869,173	0.8
2006	107,398	1.4	386,350	(0.9)	1,462,371	0.0	36,116,202	0.7
2007	108,721	1.2	385,882	(0.1)	1,470,622	0.6	36,399,676	0.8
2008	109,762	1.0	387,554	0.4	1,484,085	0.9	36,704,375	0.8
2009	110,982	1.1	389,913	0.6	1,497,799	0.9	36,966,713	0.7
2010 ⁽²⁾	112,580	1.4	390,724	0.2	1,510,271	0.8	37,253,956	0.8
2011	114,046	1.3	392,932	0.6	1,521,157	0.7	37,510,766	0.7

⁽¹⁾ Except as specified herein, population figures are as of January 1.

⁽²⁾ As of April 1. Data based on 1990, 2000 and 2010 Census counts.

Source: California State Department of Finance, Demographic Research Unit.

Personal Income

Per capita income or income per person is the numerical quotient of income divided by population, in monetary terms. It is a measure of all sources of income in an economic aggregate, such as a country or city. It does not measure income distribution or wealth. Per capital personal income in the County increased by 21.2% over a ten year-span from 2000 to 2009. The following table summarizes the per capital personal income for the County, the State of California and the nation for that period.

PER CAPITA PERSONAL INCOME Alameda County, State of California and the United States 2000-2009

<u>Year</u>	<u>Alameda County</u>	<u>California</u>	<u>United States</u>
2000	\$39,602	\$33,398	\$30,318
2001	39,193	33,890	31,145
2002	39,013	34,045	31,461
2003	40,207	34,977	32,271
2004	42,382	36,903	33,881
2005	44,385	38,767	35,424
2006	47,782	41,567	37,698
2007	49,615	43,240	39,461
2008	50,206	43,853	40,674
2009	48,004	42,395	39,635

Source: U.S. Bureau of Economic Analysis.

Employment

The following tables summarize historical employment and unemployment in the County and the Cities.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Alameda
Annual Averages
2005-2010

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Employment	697,900	703,000	711,700	710,600	681,000	670,000
Unemployment	<u>37,800</u>	<u>32,600</u>	<u>35,000</u>	<u>46,500</u>	<u>80,000</u>	<u>85,500</u>
Civilian Labor Force ⁽¹⁾	735,700	735,700	746,700	757,100	761,000	755,500
Unemployment Rate	5.1%	4.4%	4.7%	6.1%	10.5%	11.3%

⁽¹⁾ Based on place of residence; March 2010 Benchmark.

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

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Berkeley
Annual Averages
2004-2009

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Employment	54,400	54,200	54,600	55,300	55,200	52,900
Unemployment	<u>3,200</u>	<u>2,800</u>	<u>2,400</u>	<u>2,600</u>	<u>3,400</u>	<u>5,900</u>
Civilian Labor Force ⁽¹⁾	57,600	57,000	57,000	57,800	58,600	58,800
Unemployment Rate	5.6%	4.9%	4.2%	4.4%	5.8%	10.0%

⁽¹⁾ Based on place of residence; March 2010 Benchmark.

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

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Oakland
Annual Averages
2004-2009

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Employment	176,500	175,800	177,100	179,300	179,000	171,600
Unemployment	<u>17,700</u>	<u>15,200</u>	<u>13,100</u>	<u>14,100</u>	<u>18,700</u>	<u>32,200</u>
Civilian Labor Force ⁽¹⁾	194,200	191,000	190,300	193,400	197,800	203,800
Unemployment Rate	9.1%	8.0%	6.9%	7.3%	9.5%	15.8%

⁽¹⁾ Based on place of residence; March 2010 Benchmark.

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

Industry

The Cities and the County are located in the Oakland-Fremont-Hayward Metropolitan Division (the "MD"). The following table summarizes the historical numbers of workers in the MD by industry. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the Cities.

ESTIMATED NUMBER OF WAGE AND SALARY WORKS BY INDUSTRY
Oakland-Fremont-Hayward Metropolitan Division
(Alameda and Contra Costa Counties)
2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Farm	1,500	1,500	1,400	1,400	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	73,300	71,700	64,600	53,500	47,600
Manufacturing:	95,800	94,400	93,300	82,800	78,600
Service Providing:					
Wholesale Trade	48,800	48,700	48,000	43,700	42,100
Retail Trade	113,300	113,300	110,700	102,100	99,900
Transportation, Warehousing & Utilities	35,000	37,300	36,600	32,200	31,900
Information	30,100	29,000	27,800	25,300	23,900
Financial Activities	67,700	62,400	56,800	48,000	48,300
Professional & Business Services	154,900	158,000	161,400	148,700	148,000
Education & Health Services	121,800	124,200	127,700	137,200	139,700
Leisure & Hospitality	85,600	88,000	89,100	85,100	85,600
Other Services	35,900	36,200	36,000	34,700	34,600
Government	<u>182,000</u>	<u>183,900</u>	<u>176,600</u>	<u>172,500</u>	<u>167,100</u>
Total (all industries)	1,046,900	1,049,700	1,031,300	969,400	949,800

Note: Items may not add to total due to independent rounding. March 2010 Benchmark.

Source: California Employment Development Department, Labor Market Information Division

Major Employers

The following table shows the largest private and public sector civilian employers in the County:

MAJOR EMPLOYERS County of Alameda 2010

<u>Firm Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
University of California, Berkeley	Educational and Health Services	13,567
Lawrence Livermore National Lab	Professional and Business Services	7,000
Lawrence Berkeley National Lab	Professional and Business Services	5,000
World Savings & Loan Association	Financial Activities	4,389
City of Oakland	Government	4,073
The Cooper Companies, Inc.	Manufacturing	4,000
Fremont Unified School District	Educational and Health Services	2,563
Internal Revenue Service	Government	2,500
Fabco Automotive Corp.	Manufacturing	2,500
International Paper Co.	Manufacturing	2,482
Itron Inc.	Construction	2,000
Target Corporation	Trade, Transportation and Utilities	1,759
Quality Autor Craft, Inc.	Other Services	1,614
Washington Township Healthcare	Educational and Health Services	1,600
Home Depot USA, Inc.	Trade, Transportation and Utilities	1,510

Source: East Bay Economic Development Alliance (www.edab.org/).

Building Activity

The following table provides a summary of the building permit valuations and the number of new dwelling units authorized in the County and the Cities from 2006 through 2010.

BUILDING PERMIT VALUATION County of Alameda (Dollars in Thousands) 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation (\$000):					
Residential	\$1,529,481	\$1,079,746	\$725,648	\$554,373	\$686,303
Non-residential	<u>816,194</u>	<u>890,772</u>	<u>810,434</u>	<u>597,987</u>	<u>564,655</u>
Total*	\$2,345,675	\$1,970,518	\$1,536,082	\$1,152,360	\$1,250,958
Residential Units:					
Single family	1,681	1,340	761	802	880
Multiple family	<u>4,035</u>	<u>1,911</u>	<u>1,296</u>	<u>536</u>	<u>1,021</u>
Total	5,716	3,251	2,057	1338	1,901

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATION
City of Berkeley
(Dollars in Thousands)
2006-2010**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation (\$000):					
Residential	\$63,009	\$71,337	\$87,656	\$61,912	\$41,489
Non-residential	<u>21,864</u>	<u>35,209</u>	<u>50,463</u>	<u>26,310</u>	<u>36,583</u>
Total*	84,873	\$106,546	\$138,120	\$88,222	\$78,072
Residential Units:					
Single family	13	13	15	4	2
Multiple family	<u>127</u>	<u>156</u>	<u>394</u>	<u>174</u>	<u>16</u>
Total	140	169	409	178	18

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATION
City of Oakland
(Dollars in Thousands)
2006-2010**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation (\$000):					
Residential	\$426,809	\$257,289	\$199,664	\$120,046	\$141,345
Non-residential	<u>119,700</u>	<u>185,095</u>	<u>181,513</u>	<u>102,028</u>	<u>84,432</u>
Total*	\$546,509	\$442,384	\$381,177	\$222,074	\$225,777
Residential Units:					
Single family	217	223	126	94	140
Multiple family	<u>2,137</u>	<u>741</u>	<u>642</u>	<u>190</u>	<u>468</u>
Total	2,354	964	768	284	608

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Commercial Activity

The following tables summarize historical taxable transactions in the Cities and the County from 2005 to 2009.

**TAXABLE SALES
County of Alameda
2005-2009
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	20,688	15,228,482	42,792	24,242,981
2006	20,090	15,656,414	41,951	25,223,384
2007	19,554	15,664,940	42,014	25,831,140
2008	20,186	14,547,749	41,783	23,862,957
2009	24,596	12,641,415	38,663	20,430,195

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

**TAXABLE SALES
City of Berkeley
(Dollars in Thousands)
2005-2009**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	2,407	\$1,004,633	4,562	\$1,276,011
2006	2,340	1,027,344	4,488	1,337,718
2007	2,263	1,042,236	4,425	1,352,796
2008	2,358	1,015,377	4,457	1,339,797
2009	2,956	948,865	4,207	1,230,203

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

**TAXABLE SALES
City of Oakland
(Dollars in Thousands)
2005-2009**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	5,812	\$2,594,818	11,127	\$4,212,737
2006	5,695	2,677,875	10,937	4,457,388
2007	5,540	2,783,942	11,077	4,691,000
2008	5,680	2,670,960	11,082	3,882,462
2009	7,043	2,170,777	10,138	3,221,975

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

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

_____, 2011

Board of Trustees
Peralta Community College District

\$_____ *Peralta Community College District
2011 Taxable Refunding Bonds*

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the Peralta Community College District (the "District") of \$_____ aggregate principal amount of Peralta Community College District 2011 Taxable Refunding Bonds (the "Bonds"). The Bonds are issued pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, a Indenture of Trust, dated as of October 1, 2011 (the "Indenture"), by and between the District and the Deutsche Bank National Trust Company, as trustee (the "Trustee") and a resolution adopted by the Board of Trustees of the District (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the District and the Trustee, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies). We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. In addition, we have relied upon the judgment entered by the Superior Court of the State of California in and for the County of Alameda rendered on November 7, 2005 in *Peralta Community College District v. All Persons Interested in the Matter of the Issuance and Sale of Bonds for the Purpose of Refunding Certain Obligations Owed by the Peralta Community College District in Respect of Employee Health Care Benefits, and all Proceedings Leading Thereto, Including the Adoption of a Resolution Authorizing the Issuance and Sale of Such Bonds*, Case No. RG 05-228682.

Based on and subject to the foregoing and in reliance thereon, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District enforceable against the District in accordance with its terms.
3. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

Any federal tax advice contained herein is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Code. The federal tax advice contained herein with respect to the Bonds was written to support the promoting and marketing of the Bonds. Before purchasing any of the Bonds, all potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Bonds and the taxpayer's particular circumstances. This notice is intended to comply with the provisions of Section 10.35 of the United States Treasury publication Circular 230.

In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relative to or affecting creditors' rights, to the application of equitable principles to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification or contribution provisions contained in the foregoing documents.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “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 2011 Taxable Refunding Bonds (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2011 (the “Indenture”), between the District and Deutsche Bank National Trust Company. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter 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 unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially KNN Public Finance, A Division of Zions First National Bank, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“Participating Underwriter” shall mean J.P. Morgan Securities LLC, or any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than March 31 following the end of the District's fiscal year (presently ending June 30), commencing with the report due on March 31, 2012, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-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 they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, 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 pursuant to 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.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (i) the number of full-time equivalent students ("FTES");
- (ii) pension plan contributions made, and the most recently available information regarding the District's unfunded accrued actuarial liability with respect to post-employment retirement benefits;
- (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 then-current current fiscal year, together with audited actual budget figures for 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.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to 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 in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional Trustee with respect to the Bonds or the change of name of such Trustee.

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

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

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(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute 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. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross 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. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: _____, 2011

PERALTA COMMUNITY COLLEGE DISTRICT

By _____
Authorized Officer

Accepted:

KNN PUBLIC FINANCE

By _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Peralta Community College District

Name of Bond Issue: \$_____ aggregate principal amount of Peralta Community College District Taxable 2011 Taxable Refunding Bonds

Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.05 of the Indenture authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

PERALTA COMMUNITY COLLEGE DISTRICT

By: _____
Title:

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from sources the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy 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 Official 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.

DTC 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the District or the Trustee.

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

Payments of principal of, premium, if any, and interest evidenced by 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 the 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 principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

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

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the District nor the Trustee take any responsibility for the accuracy thereof.

Neither the District nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

APPENDIX F

COUNTY OF ALAMEDA INVESTMENT POOL

Most of the District's funds are invested through the Alameda County Investment Pool (the "County Pool"). This Appendix provides a general description of the County Pool, current portfolio holdings, and valuation procedures. The following information has been provided by the Treasurer-Tax Collector of the County (the "County Treasurer"), and neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer at <http://www.co.alameda.ca.us/treasurer/index.htm>.

The County Treasurer manages the County Pool in which certain funds of the County, the District and of certain other entities within the County are invested pending disbursement. The County Treasurer is *ex-officio* the treasurer of each of the other participating entities. All entities participating in the County Pool are legally required to do so. Under State law, these entities may only withdraw money to pay expenses that have become due.

All investments in the County Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53601 *et seq.*, authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

Substantially all operating funds of the District are invested in the County Pool. The Treasurer accepts funds only from agencies located within the County for investment in the Pool. As of March 31, 2011, the cost value of the Pool was \$3,112,022,201, and the Pool's market value, accrued interest included, was \$3,121,285,216. The following table summarizes the composition of the Pool as of March 31, 2011.

COUNTY OF ALAMEDA TREASURY POOL PORTFOLIO COMPOSITION (as of March 31, 2011)

	<u>Book Value Cost</u>	<u>Market Value</u>	<u>% of Portfolio</u>
Local Agency Investment Funds	\$50,000,000	\$50,062,566	1.59%
Collateralized Time Deposits	99,098,000	99,155,592	3.15%
Money Market Funds	329,500,000	329,518,815	10.48%
Collateralized Money Market Bank A/C	351,000,000	351,053,688	11.16%
Federal Agency Notes & Bonds	1,309,464,578	1,308,038,018	41.64%
Federal Agency Discount Notes	334,480,005	336,498,579	10.64%
Negotiable CD	46,000,000	46,013,190	1.46%
Medium Term Notes	5,055,306	5,002,249	0.16%
Treasury Securities - Coupon	105,971,207	300,211,969	3.37%
Treasury Securities - Discount	259,535,823	263,873,343	8.25%
Repurchase Agreement	<u>195,000,000</u>	<u>198,918,869</u>	<u>6.20%</u>
Total Investments	\$3,085,104,919	\$3,288,346,878	98.10%
Cash in Bank and On Hand	<u>59,787,329</u>	<u>59,787,329</u>	<u>1.90%</u>
Total Treasurer's Pool	<u>\$3,144,892,248</u>	<u>\$3,348,134,207</u>	<u>100.00%</u>

Of the total cash and investment holdings listed above, \$966,575,891 or 34.46% consisted of cash and investments maturing within three months of this report.

The County provides monthly investment reports to the County Board of Supervisors. It is current practice for the Treasurer to report the portfolio's market value on a quarterly basis to the Board. Market values are derived from the custodial bank's monthly safekeeping reports to the Treasurer. The County reports that it follows a "buy and hold" investment strategy and was not required to liquidate securities at a loss to meet disbursement requirements of County Pool participants during the past fiscal year. The County expects the Pool will have sufficient liquid funds to meet disbursement requirements of County Pool participants through the next six months.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX H

OPEB TRUST INVESTMENT POLICY