

On December 28, 2005, the date of the original issuance of the Series B-2 Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California (“Original Bond Counsel”), rendered their opinion (the “Original Opinion”) to the effect that interest on the Series B-2 Bonds was exempt from State of California personal income taxes, and that interest on the Series B-2 Bonds was not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Original Bond Counsel expressed no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005 OPEB Bonds. The Original Opinion has not been updated subsequent to the date of the original issuance of the Series B-2 Bonds, or as of the date of this Reoffering Circular. See “TAX MATTERS” herein.

\$38,450,000
PERALTA COMMUNITY COLLEGE DISTRICT
ALAMEDA COUNTY, CALIFORNIA
TAXABLE 2005 LIMITED OBLIGATION
OPEB (OTHER POST-EMPLOYMENT BENEFIT) BONDS, SERIES B-2
(Weekly Rate)

Dated: Date of Original Delivery (December 28, 2005)

Price: 100%

Due: August 5, 2020

The purpose of this Reoffering Circular is to furnish information in connection with the issuance of an irrevocable direct-pay letter of credit (the “Letter of Credit”) by Barclays Bank, PLC acting through its New York Branch, on August [], 2015 (the “Letter of Credit Issuance Date”) to secure the Peralta Community College District Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit), Series B-2 (the “Series B-2 Bonds”) as further described herein and the remarketing of the Series B-2 Bonds in Weekly Rate Mode.

The Series B-2 Bonds were originally issued on December 28, 2005 under an Indenture of Trust, originally dated as of December 1, 2005 (the “Indenture”), between the Peralta Community College District (the “District”) and U.S. Bank National Association, as successor to Deutsche Bank National Trust Company as trustee (the “Trustee”), in the aggregate principal amount of \$38,450,000, all of which is currently outstanding. The Series B-2 Bonds are one of six tranches of Convertible Auction Rate Securities issued by the District to refinance the District’s obligation to pay certain health care benefits for certain retired District employees and pay certain costs. The Series B-2 Bonds are not subject to debt limitations of the California Constitution, and the District is obligated to satisfy its obligations under the Series B-2 Bonds from any source of legally available moneys or funds of the District and by certain moneys and investments held in certain funds under the Indenture. See “THE SERIES B-2 BONDS” and “SECURITY FOR THE SERIES B-2 BONDS” herein.

Commencing on the Letter of Credit Issuance Date through and including August 5, [20__] (such date, as it may be extended from time to time in accordance with the Letter of Credit, being called the “Stated Expiration Date”), unless the Letter of Credit is previously terminated pursuant to its terms, the principal of and interest on the Series B-2 Bonds and the purchase price thereof upon a tender for purchase, as described herein, will be payable from funds drawn under the Letter of Credit. The Letter of Credit will entitle the Trustee to draw thereunder a maximum amount equal to the principal of and up to [35] days’ accrued interest on the Series B-2 Bonds at the maximum interest rate of [12]%. As described herein and provided in the Reimbursement Agreement, the Letter of Credit may be terminated prior to the Stated Expiration Date. The Series B-2 Bonds are subject to mandatory tender prior to expiration or termination of the Letter of Credit. See “SECURITY FOR THE SERIES B-2 BONDS – Alternate Liquidity Facility” herein.]

The Series B-2 Bonds bear interest at a Weekly Rate determined by Barclays Capital, Inc., the remarketing agent (the “Remarketing Agent”) as described herein. See “THE SERIES B-2 BONDS – Remarketing” herein. While in a Weekly Rate Period, ownership interests in the Series B-2 Bonds will be in denominations of \$[25,000] or any integral multiple of \$5,000 in excess thereof. While in a Weekly Rate Period, interest on the Series B-2 Bonds is payable on the first Business Day of each calendar month. The Series B-2 Bonds were delivered in fully registered form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Beneficial Owners (as hereinafter defined) of Series B-2 Bonds will not receive physical certificates representing the Series B-2 Bonds purchased, but will receive a credit balance on the books of the nominees of such purchasers. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.” The principal, the

Purchase Price or the Redemption Price of the Series B-2 Bonds will be payable at the Principal Corporate Trust Office of the Trustee upon surrender thereof.

The Series B-2 Bonds are subject to optional and mandatory redemption and optional and mandatory tender prior to maturity as described herein. See [“THE SERIES B-2 BONDS – Redemption”, “ – Optional Tender Provisions” and “ – Mandatory Tender Provisions” herein.]

THE SERIES B-2 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 SERIES B-2 BONDS NOR THE OBLIGATION OF THE DISTRICT TO PAY THE PRINCIPAL OF, OR REDEMPTION PRICE OF OR THE INTEREST ON THE SERIES B-2 BONDS CONSTITUTES 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.

This Reoffering Circular is not intended to provide information with respect to the Series B-2 Bonds (including the terms of such Series B-2 Bonds) after the conversion, if any, from a Weekly Rate to another Interest Rate Mode. Owners and prospective purchasers of the Series B-2 Bonds should not rely on this Reoffering Circular for information concerning the Series B-2 Bonds in connection with any conversion of the Series B-2 Bonds to an Interest Rate Mode other than a Weekly Rate, but should look solely to the offering document to be used in connection with any such conversion to another Interest Rate Mode. The Series B-2 Bonds are subject to mandatory tender for purchase and remarketing upon conversions from one Interest Rate Mode to another. [This Reoffering Circular is not intended to provide information with respect to the Series B-2 Bonds if the Letter of Credit is no longer in effect with respect to the Series B-2 Bonds.]

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Reoffering Circular to obtain information essential to making an informed investment decision.

The Series B-2 Bonds are reoffered when, as and if available for remarketing by the Remarketing Agent, subject to prior sale, withdrawal or modification of the offer without notice. Certain legal matters will be passed upon for the District, the Bank and the Remarketing Agent by the respective counsel described under the caption “Approval of Legality” herein.

Barclays

Dated: July __, 2015

† For an explanation of the ratings, see the caption “RATINGS” herein.

This Reoffering Circular does not constitute an offer to sell the Series B-2 Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series B-2 Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the reoffering of the Series B-2 Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the captions “THE BANK” and “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT” has been obtained from the Bank. The information set forth herein under the captions “THE SERIES B-2 BONDS—Special Considerations Relating to the Series B-2 Bonds” has been obtained from the Remarketing Agent. The information relating to DTC and the book-entry system set forth herein under the caption “THE SERIES B-2 BONDS—General” and in APPENDIX E hereto has been furnished by DTC. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Reoffering Circular, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Bank, the District or The Depository Trust Company since the date hereof.

The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agent has reviewed the information in this Reoffering Circular 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 Remarketing Agent does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE REOFFERING OF THE SERIES B-2 BONDS, THE REMARKETING AGENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES B-2 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS REOFFERING CIRCULAR**

Certain statements included or incorporated by reference in this Reoffering Circular constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” 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 that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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Alameda County, State of California

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San Francisco, California

Original Bond Counsel

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Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Financial Advisor

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a Division of Zions Public Finance
Oakland, California

Trustee and Paying Agent

U.S. Bank National Association
San Francisco, California

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REOFFERING CIRCULAR

\$38,450,000

**PERALTA COMMUNITY COLLEGE DISTRICT
TAXABLE 2005 LIMITED OBLIGATION
OPEB (OTHER POST-EMPLOYMENT BENEFIT) BONDS, SERIES B-2
(Weekly Rate)**

INTRODUCTORY STATEMENT

General

The following introductory statement is subject in all respects to the more complete information set forth in this Reoffering Circular. The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Reoffering Circular and not otherwise defined in this Reoffering Circular shall have the same meanings as in the Indenture (as defined below). See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – DEFINITIONS.”

This Reoffering Circular, including the cover page and the Appendices hereto (the “Reoffering Circular”), is provided to furnish information in connection with the issuance of an irrevocable direct-pay letter of credit (the “Letter of Credit”) by Barclay’s Bank PLC, acting through its New York Bank (the “Bank”) on August [___], 2015 (the “Letter of Credit Issuance Date”) to secure the Series B-2 Bonds (as defined below), and the remarketing of the Series B-2 Bonds in Weekly Rate Mode as further described herein.

Health Benefit Obligations

Until June 30, 2004, the District provided lifetime post-retirement health care benefits to retirees meeting plan eligibility requirements as well as for their spouses and, in most cases, for dependent children depending upon the terms of the bargaining unit contract. Pursuant to those contracts, the District is required to pay the costs of the post-retirement health care premiums directly to the beneficiaries. As of June 30, 2015, the number of current employees eligible to participate in this plan was ___ and the number of retired employees participating in this plan was ___.

Commencing with Fiscal Year 2004-05, the District and the bargaining units representing certificated and non-certificated employees agreed that the District would no longer be responsible for the payment of lifetime health care benefit premiums for employees, spouses or dependents. Accordingly, for employees hired on or after July 1, 2004, the District is responsible only for the payment of health care benefit premiums until such employee reaches the age of 65. In connection therewith, survivor benefits for dependents were eliminated. However, surviving spouses have the option to purchase health care coverage through the District up to the age of 65. See APPENDIX A – “FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Funding Policy; Other Post-Employment Benefits” attached hereto.

The 2005 OPEB Bonds

On December 28, 2005, the District issued Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the “2005 OPEB Bonds”) in the aggregate principal amount of \$153,749,832.25 to refund the District’s accrued liability with respect to the Other Post-Employment Benefits (“OPEB”). The net proceeds from the 2005 OPEB Bonds were deposited into the District’s OPEB Trust (defined herein), which is a revocable trust. The 2005 OPEB Bonds were issued as a series of fixed-rate bonds bearing periodic interest (the “Standard Bonds”), as well as six series of convertible auction rate bonds (the “CARS”). The Series B-2 Bonds are the second of the six series of the CARS. The CARS initially do not bear periodic interest, but instead accrete in

value 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, 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 will bear periodic, variable interest on the accreted value thereof as of the Full Accretion Date, at the rates set at each subsequent Auction.

The 2005 OPEB Bonds were issued to: (i) refund a portion of the present value of the contractual obligation of the District to fund the Retiree Health Benefit Costs in the amount of \$150,000,000, and (ii) pay the costs of issuance of the 2005 OPEB Bonds. A portion of the proceeds of the 2005 OPEB Bonds in the amount of \$150,000,000 was used to establish a trust fund (the “Retiree Health Benefit Program Fund”) held by the Trustee, which, together with earnings thereon, is disbursed by the Trustee upon written requisition by the District to pay the Retiree Health Benefit Costs. Amounts on deposit in the Retiree Health Benefit Program Fund are managed by a professional outside investment management company in accordance with the investment policy adopted by the District. Pursuant to a request for proposals, the District retained Neuberger Berman Trust Company National Association as the investment manager for the Retiree Health Benefit Program Fund to invest the Program Fund pursuant to an asset allocation policy comparable to that adopted by the California Public Employees’ Retirement System.

In October 2006, a portion of the 2005 OPEB Bonds were the subject of a modification whereby three maturities of the taxable Standard Bonds were purchased from investors and were issued as convertible capital appreciation bonds (the “Modified OPEB Bonds”) that were fully accreted and converted on August 1, 2009 to a fixed interest rate of 6.25% per annum. 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.

On February 19, 2009, the District issued the 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds as fixed rate bonds in an aggregate principal amount of \$48,725,000 (the “2009 OPEB Bonds”) to refund the first tranche of the CARS, Series B-1, and to refund the remaining Standard Bonds. On October 28, 2011, the District issued the 2011 Taxable Refunding Bonds as fixed rate bonds, in an aggregate principal amount of \$53,505,000 (the “2011 OPEB Bonds” and together with the 2005 OPEB Bonds, Modified OPEB Bonds, and 2009 OPEB Bonds, the “OPEB Bonds”) to refund and restructure the 2009 OPEB Bonds.

Plan of Finance

The authorization by the District of the issuance of the 2005 OPEB Bonds as obligations of the District imposed by law, and as to the validity and conformity of the 2005 OPEB Bonds with all applicable provisions of law were validated pursuant to California Code of Civil Procedure Section 860 et seq.

On August 6, 2015, the District will convert the Series B-2 Bonds to Fixed Rate Bonds. After conversion to Fixed Rate Mode, the financial guaranty insurance policy (including all endorsements to such policy, the “Bond Insurance Policy”) which was issued by Financial Guaranty Insurance Corporation (“FGIC” or the “Bond Insurer”) simultaneously with the original delivery of the 2005 OPEB Bonds will be terminated with respect to the Series B-2 Bonds by the mutual agreement of National Public Finance Guarantee Corporation (“National”) (which had previously reinsured the obligations of FGIC under the Bond Insurance Policy), the District and the holder of the Series B-2 Bonds.

Also, while the Series B-2 Bonds are in Fixed Rate Mode, the District will amend the Indenture to provide additional interest rate modes, including a Weekly Rate Mode, and the Bank will issue its Letter of Credit to secure the Series B-2 Bonds. After the Indenture is amended and the Bank has issued its Letter of Credit, the District will reoffer the Fixed Rate Bonds in Weekly Mode.

Interest Rate Exchange Agreements

In 2006, 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, with a term equal to the final maturity thereof and with an effective date matching the Full Accretion Date for the related series of CARS. The Swap Agreements were structured so that the District pays to the Swap

Provider a fixed rate of 5.158% on an initial notional amount, and in return the District receives a floating rate of interest equal to 100% of the one-month London Interbank Offered Rate (LIBOR). The amounts payable by each party under the Swap Agreements are netted against the payments to be received the other party thereunder. The Swap Agreements were designed to create a synthetic fixed rate security that mitigates variable rate interest risk on the CARS.

Both the District and the Swap Provider have the right to terminate each Swap Agreement under certain conditions, in which event termination payments may be due to the non-terminating counterparty. Such termination payments could be substantial and potentially adverse to the District's financial condition. The District has retained an advisor with nationally-recognized expertise in interest rates swaps to assist the District in monitoring the values of the remaining Swap Agreements.

The District does not intend to terminate the Swap Agreement associated with the Series B-2 Bonds prior to the stated date of maturity or earlier redemption thereof.

The terms of the Swap Agreement with respect to the Series B-2 Bonds do not alter or affect any of the obligations of the District with respect to the payment of principal of or interest on the Series B-2 Bonds. The owners of the Series B-2 Bonds shall not have any rights under such Swap Agreement or against the Counterparty. Payments due under the Swap Agreement will not be pledged to the payment of principal of or interest on the Series B-2 Bonds.

For more information regarding the District's Swap Agreements, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14– Note 11."

The Letter of Credit

On the Letter of Credit Issuance Date, the District will cause to be delivered to the Trustee, for the benefit of the owners of the Series B-2 Bonds, the Letter of Credit issued by the Bank. The Letter of Credit constitutes a "[Liquidity Facility]" under the Indenture. The Letter of Credit will extend for a term expiring on [August __, 20__], unless earlier terminated or extended as provided therein. The Trustee will be entitled under the Letter of Credit to draw up to (i) the principal amount of the Series B-2 Bonds, to enable the Trustee to pay the principal of the Series B-2 Bonds when due at maturity, upon redemption or acceleration, or upon tender, if such tendered Series B-2 Bonds are not successfully remarketed by the Remarketing Agent for the Series B-2 Bonds, plus (ii) an amount up to [12]% per annum on the principal amount of the Series B-2 Bonds for up to [35] days, to enable the Trustee to pay interest on the Series B-2 Bonds. The District will enter into a reimbursement agreement, dated as of August 1, 2015 (the "Reimbursement Agreement"), with the Bank pursuant to which the Letter of Credit is issued. For information regarding the Letter of Credit, the Bank and the Reimbursement Agreement, see "THE BANK" and "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" below.

The Trustee agrees to hold and maintain the Letter of Credit for the benefit of the Holders of the Series B-2 Bonds until the Letter of Credit terminates in accordance with its terms. The Trustee will draw on the Letter of Credit in accordance with its terms and in accordance with the provisions of the Indenture and will diligently enforce all its rights as beneficiary under the Letter of Credit, including payment when due of any draws on the Letter of Credit. The Trustee will not consent to or agree to or permit any amendment or modification of the Letter of Credit that would materially adversely affect the rights or security of the Holders of the Series B-2 Bonds. The Trustee is entitled to receive and rely upon an opinion of counsel as to whether any modification or amendment materially adversely affects the rights or security of Holders. The consent or agreement of the Trustee or the Holders is not required for any amendments or modifications to the Letter of Credit.

Pursuant to the Indenture, the Trustee shall pay the interest on and principal of the Series B-2 Bonds when due solely from moneys drawn under the Letter of Credit, including payment of principal of and interest on the Series B-2 Bonds upon redemption, unless the Bank has failed to honor a properly presented and conforming drawing with respect to the Letter of Credit, in which case the Trustee shall pay the principal of and interest on such Series B-2 Bonds from all amounts held in the funds and accounts established and held by the Trustee under the Indenture.

Remarketing Agent

The District has appointed Barclays Capital, Inc. (“Barclays” or the “Remarketing Agent”) as Remarketing Agent for the Series B-2 Bonds. Barclays maintains an office at [555 California St. 7th Floor, San Francisco, CA 94104]. The Remarketing Agent may be removed or replaced at any time, subject to the terms and conditions of the Remarketing Agreement, dated as of August 1, 2015 (the “Remarketing Agreement”), between the District and Barclays. Any resignation by, or removal of, the Remarketing Agent will be effective only (i) upon appointment of a successor Remarketing Agent or (ii) if the Trustee assumes the responsibilities of the Remarketing Agent until a substitute Remarketing Agent is appointed.

The District

The District was formed in 1964 and serves a 78-square mile area in Alameda County (the “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 Oakland hills, and Berkeley City College in downtown Berkeley. The District also operates one community education center in Oakland’s Fruitvale neighborhood. The District’s four colleges are fully accredited by the Accrediting Commission for Community and Junior Colleges (“ACCJC”). For fiscal year 2014-15, the District had enrollment of 19,093 full time-equivalent students (“FTES”) and an assessed valuation of \$78,282,426,823. For additional information about the District see APPENDIX A.

The District is governed by a Board of Trustees. Seven members are elected to four-year terms. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. Two student trustees also serve on the Board of Trustees. 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. See APPENDIX A – “FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING THE DISTRICT – Administration” attached hereto.

THE SERIES B-2 BONDS

The following is a summary of certain provisions of the Series B-2 Bonds. Reference is made to the Series B-2 Bonds for complete text thereof and to the Indenture for all of the provisions relating to the Series B-2 Bonds. The discussion herein is qualified by such reference.

General

The Series B-2 Bonds, which were issued pursuant to the Indenture in the aggregate principal amount of \$38,450,000 (all of which is currently outstanding), will bear interest at the Weekly Rate upon remarketing, and will mature on August 5, 2020. The Series B-2 Bonds were delivered in fully registered form without coupons and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which acts as securities depository for the Series B-2 Bonds. The Series B-2 Bonds are transferable and exchangeable as set forth in the Indenture. Ownership interests in the Series B-2 Bonds currently may be purchased in book-entry form only, in the denominations hereinafter set forth. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

This Reoffering Circular is not intended to provide information with respect to the Series B-2 Bonds (including the terms of such Series B-2 Bonds) after conversion from a Weekly Rate to another Interest Rate Mode. Owners and prospective purchasers of the Series B-2 Bonds should not rely on this Reoffering Circular for information concerning the Series B-2 Bonds in connection with any conversion of the Series B-2 Bonds to Series B-2 Bonds bearing interest at a rate other than a Weekly Rate, but should look solely to the offering document to be used in connection with any such conversion to another Interest Rate Mode. The Series B-2 Bonds are subject to mandatory tender for purchase and remarketing upon conversions from one Interest Rate Mode to another. This Reoffering Circular is not intended to provide information with respect to the Series B-2 Bonds if the Letter of Credit is no longer in effect with respect to the Series B-2 Bonds.

Description of Terms of Series B-2 Bonds

The Series B-2 Bonds are dated as of their date of original issuance (December 28, 2005). While in a Weekly Rate Period, ownership interests in the Series B-2 Bonds will be in denominations of \$[25,000] or any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). Interest on the Series B-2 Bonds shall be calculated on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed, during any Daily Rate Period or Weekly Rate Period. Interest on Liquidity Facility Series B-2 Bonds (as defined in the Indenture) will be calculated in accordance with the terms of the Reimbursement Agreement.

So long as Cede & Co. is the registered owner of the Series B-2 Bonds, the principal and purchase price of and interest and premium, if any, on the Series B-2 Bonds are payable by wire transfer by the Trustee (or in the case of the purchase price, by U.S. Bank National Association as Trustee and tender agent (the “Tender Agent”)) to Cede & Co., as nominee for DTC which, in turn, will remit such amounts to DTC Participants (as hereinafter defined) for subsequent disbursement to the Beneficial Owners. So long as Cede & Co. is the registered owner of the Series B-2 Bonds, the right of any Beneficial Owner to exercise its right to tender its interest in any Bond for purchase and receive payment therefore will be based only upon and subject to the procedures and limitations of the book-entry only system described under the caption APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.” See APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS” for additional information with respect to the Series B-2 Bonds.

Determination of Interest Rate on Series B-2 Bonds

General. The Series B-2 Bonds bear interest at a Weekly Rate. The District has the right to change the Interest Rate Determination Method for all (but not less than all) of the Series B-2 Bonds to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Index Rate the Term Rate or the Fixed Rate). See “THE SERIES B-2 BONDS—Conversion of Interest Rate Determination Method” herein. [No Daily Rate or Weekly Rate on the Series B-2 Bonds will exceed 12% per annum.]

Weekly Rate. So long as the Series B-2 Bonds are in the Weekly Rate Period, the Series B-2 Bonds will bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent for each Series is to set a Weekly Rate for the S of that Series, by 5:00 P.M., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week (a “Calendar Week”); *provided*, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate is to be set by the Remarketing Agent on the Business Day immediately preceding such Conversion Date; *provided further*, that, in connection with the substitution of a Credit Support Instrument providing support for any Series B-2 Bonds bearing interest at the Weekly Rate, the Weekly Rate with respect to such Series for the first Calendar Week (or portion thereof) following such substitution shall be set by the applicable Remarketing Agent on the Business Day immediately preceding the date of such substitution, and such Weekly Rate will be effective only if such substitution is effected. Each Weekly Rate for the Series B-2 Bonds is to be the rate of interest that, if borne by the Series B-2 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for taxable securities that are of the same general nature as the Series B-2 Bonds, or taxable securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series B-2 Bonds, be the lowest interest rate that would enable the Remarketing Agent to place the Series B-2 Bonds at a price of par (plus accrued interest, if any) on the first day of such Weekly Rate Period.

Failure to Determine Rate for Certain Rate Periods. If, for any reason, the Weekly Rate for the Series B-2 Bonds is not established as described above, or there is no Remarketing Agent for such Series B-2 Bonds, or any Weekly Rate so established is held to be invalid or unenforceable, then an interest rate for such Series for such Rate Period equal to 100% of the One-Month LIBOR Rate on the date such Weekly Rate was (or would have been) determined, as provided pursuant to the provisions of the Indenture described above, shall be established automatically.

Redemption

Optional Redemption. The Series B-2 Bonds bearing interest at the Weekly Rate are subject to optional redemption by the District, in whole or in part, in Authorized Denominations on any Business Day (with prior notice as described below), at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

Mandatory Redemption. The Series B-2 Bonds are subject to mandatory redemption by the District on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Redemption Date</i> <i>(August 5)</i>	<i>Sinking Fund Installment</i>
2016	\$ 6,875,000
2017	7,325,000
2018	8,125,000
2019	8,750,000
2020 [†]	7,375,000

[†] Final Maturity

Purchase in Lieu of Redemption

[In lieu of mandatory redemption, the District may surrender to the Trustee for cancellation Series B-2 Bonds purchased by it, and such Series B-2 Bonds shall be cancelled by the Trustee. If any Series B-2 Bonds are so cancelled, the District may designate the Sinking Fund Installments or portions thereof within the Series B-2 Bonds so purchased that are to be reduced as a result of such cancellation.]

General Redemption Provisions

Selection for Redemption. The District will designate which maturities of Series B-2 Bonds are to be redeemed; *provided* that Reoffered Credit Provider Bonds must be redeemed prior to the optional redemption of any other Series B-2 Bonds. If less than all the Series B-2 Bonds of a Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair. DTC's practice is to determine by lot the amount of the interest of each DTC Direct Participant in each Series or subseries to be redeemed. For purposes of such selection, the Series B-2 Bonds of a Series or subseries shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. The District may designate the Sinking Fund Installments, or portions thereof, that are to be reduced as a result of such redemption.

Notice of Redemption. Each notice of redemption is to be mailed by the Trustee not less than 30 nor more than 60 days prior to the redemption date to DTC. 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 of Series B-2 Bonds will be governed by arrangements among them, and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

Conditional Notice of Redemption; Rescission. Any notice of optional redemption of the Series B-2 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the District will not redeem such Series B-2 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

In addition, the District may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the District to the Trustee, and the Trustee is to mail notice of such cancellation to DTC.

Any optional redemption of the Series B-2 Bonds and notice thereof will be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal and interest due on the Series B-2 Bonds called for redemption.

Effect of Redemption. Notice of redemption having been duly given pursuant to the Indenture and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series B-2 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the Series B-2 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Thereafter, interest on such Series B-2 Bonds shall cease to accrue, and said Series B-2 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture.

Optional Tender Provisions

The Series B-2 Bonds bearing interest at a Weekly Rate (other than Reoffered Credit Provider Bonds) are subject to tender for purchase and remarketing at the option of the Owner or the Beneficial Owners of those Bonds, who may elect to have Series B-2 Bonds (or portions thereof in Authorized Denominations) purchased at a purchase price (the "Purchase Price") equal to the principal amount thereof, without premium, plus any accrued interest to the Purchase Date. If the Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then accrued interest will be paid to DTC for payment to the Beneficial Owners as of the applicable Record Date.

Series B-2 Bonds bearing interest at a Weekly Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Owner or the Beneficial Owner of such Series B-2 Bonds to the applicable Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 5:00 P.M. (New York City time) on any Business Day at least seven days prior to the Purchase Date, which states the principal amount of such Reoffered Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such Series B-2 Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Any Reoffered Bond may be tendered for purchase in part as long as the amount so purchased and not so purchased are each in an Authorized Denomination.

Any instrument delivered to the Trustee in accordance with the provisions of the Indenture described above shall be irrevocable with respect to the purchase for which such instrument was delivered and shall be binding upon the Owner and any subsequent Beneficial Owner of the Series B-2 Bonds to which it relates, and as of the date of such instrument, the Owner or the Beneficial Owner shall not have any right to optionally tender for purchase such Series B-2 Bonds prior to the date of purchase specified in such notice. The District, the Remarketing Agents and the Trustee may conclusively assume that any person (other than DTC) providing notice of optional tender pursuant to the Indenture is the Beneficial Owner of the Series B-2 Bonds to which such notice relates, and none of the District, the Remarketing Agents or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of Series B-2 Bonds.

Draws on the Letters of Credit issued pursuant to the Reimbursement Agreement described under "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" will provide funds for the purchase of Series B-2 Bonds that are not successfully remarketed upon optional tender by Owners or Beneficial Owners for purchase and remarketing. See "Funding Optional and Mandatory Tenders of Series B-2 Bonds" below.

Mandatory Tender Provisions

The Series B-2 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price on the Conversion Date (or on the proposed Conversion Date if the conversion fails to occur) to a new Interest Rate Determination Method specified in a Conversion Notice as described below under “ - Conversion of Interest Rate Determination Method.”

Draws on the Letters of Credit issued pursuant to the Reimbursement Agreement described under the caption “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT” will provide funds for the purchase of Series B-2 Bonds that are not successfully remarketed upon optional tender by Bond owners for purchase and remarketing, and for the purchase of Series B-2 Bonds that are not successfully remarketed upon mandatory tender. A Series B-2 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price (i) on the fifth Business Day preceding the scheduled expiration of, or the termination by election of the District of, the Letter of Credit for such Series, and (ii) (if a Rating Confirmation is not received) on the date of provision of a substitute credit or liquidity facility and resultant termination of the Letter of Credit for such Series. No such mandatory tender is required if a substitute credit or liquidity facility is provided to the Trustee and a Rating Confirmation is delivered by each Rating Agency then rating the Series B-2 Bonds with respect to which the substitute credit or liquidity facility is being provided; *provided, however*, that a Credit Support Instrument may not be substituted for the Letter of Credit for a Series B-2 Bonds unless a mandatory tender and purchase of all of the Series B-2 Bonds occurs (and such a mandatory tender and purchase must occur whether or not a Rating Confirmation with respect to the substitution is obtained). The Trustee is to give DTC at least 15 days’ notice of any such elected termination, substitution or expiration. The District may rescind any notice of mandatory tender provided to Owners in connection with the substitution of a Credit Support Instrument by giving written notice of such rescission to Owners two or more Business Days immediately preceding the date set for such substitution and mandatory tender.

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 of Series B-2 Bonds will be governed by arrangements among them, and the District and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series B-2 Bonds.

Funding Optional and Mandatory Tenders of Series B-2 Bonds

The District expects funds to be made available to purchase Series B-2 Bonds tendered for purchase pursuant to the optional and mandatory tender provisions described above by having the applicable Remarketing Agent remarket the tendered Series B-2 Bonds and having the proceeds applied to purchase the tendered Series B-2 Bonds. See “REMARKETING AGENTS.”

Payment of the purchase price for any Series B-2 Bonds tendered for purchase and not successfully remarketed is expected to be paid from amounts drawn under the Letters of Credit as described under “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.” If insufficient funds are available from remarketing proceeds and under the Letters of Credit, the District has the [option, but no] obligation under the Indenture, to pay the shortfall to the Trustee.

The Indenture provides that if sufficient funds are not available for the purchase of all Series B-2 Bonds of a Series tendered and required to be purchased on any Purchase Date, all Series B-2 Bonds shall bear interest at the lesser of the [Step-up Rate] and the Maximum Interest Rate from the date of such failed purchase until all such Series B-2 Bonds are purchased as required in accordance with the Indenture, and that all tendered Series B-2 Bonds shall be returned to the respective Owners. Thereafter, the Trustee is to continue to take all such action available to it to obtain remarketing proceeds from the applicable Remarketing Agent and sufficient other funds from the Letters of Credit to purchase all Series B-2 Bonds required to be purchased. The Indenture provides that such failed purchase and return shall not constitute an Event of Default.

Mechanics and Timing of Optional and Mandatory Tenders

The mechanics and timing of delivery and payment for Series B-2 Bonds tendered for purchase are set forth in the Indenture. See APPENDIX C—”SUMMARY OF PRINCIPAL DOCUMENTS – The Indenture.”

Payment of Purchase Price

The Tender Agent will deposit the proceeds of a remarketing of the Series B-2 Bonds in the Remarketing Account for application to the Purchase Price (defined herein) of the Series B-2 Bonds. The “Purchase Price” of any Purchased Bond is defined in the Indenture as the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Bond shall be paid to the Holder of such Bond pursuant to the Indenture.

While the Letter of Credit is in effect, the Tender Agent will draw on the Letter of Credit in accordance with its terms so as to receive thereunder on the Purchase Date an amount, together with the proceeds of the remarketing of such Series B-2 Bonds on such date, sufficient to enable the Tender Agent to pay the Purchase Price of such Series B-2 Bonds tendered or deemed tendered for purchase on such Purchase Date. Amounts drawn on the Letter of Credit will be deposited in the Liquidity Instrument Purchase Account in the Purchase Fund.

If the Letter of Credit is not in effect or the Bank has not paid the full amount necessary to pay the Purchase Price of Series B-2 Bonds tendered or deemed tendered, the District has agreed to pay to the Tender Agent in immediately available funds, the amount, together with remarketing proceeds and amounts drawn on the Letter of Credit, if any, sufficient to enable the Tender Agent to pay the Purchase Price of the Series B-2 Bonds tendered or deemed tendered for purchase on such Purchase Date. Such amounts received from the District will be deposited in the District Account in the Purchase Fund created under the Indenture. There can be no assurance that the District will have funds available to pay Purchase Price of the Series B-2 Bonds. Investors should look solely to the Letter of Credit and the Bank for payment of Purchase Price of the Series B-2 Bonds.

Moneys delivered to the Tender Agent on a Purchase Date shall be applied at or before 3:00 p.m. (New York City time) on such Purchase Date to pay the Purchase Price of Purchased Series B-2 Bonds in immediately available funds as follows and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Purchase Fund for the benefit of the Holders of the Purchased Series B-2 Bonds which were to have been purchased:

- FIRST: Moneys deposited in the Remarketing Account with respect to such Series B-2 Bonds.
- SECOND: Moneys deposited in the Liquidity Instrument Purchase Account with respect to such Series B-2 Bonds.
- THIRD: Moneys deposited in the District Account with respect to such Series B-2 Bonds.

To the extent funds are available in the Liquidity Instrument Purchase Account to pay the full Purchase Price of the Series B-2 Bonds and are applied to pay the Purchase Price of Purchased Series B-2 Bonds, the Tender Agent is obligated to withdraw funds from the Remarketing Account and the District Account (in that order) for the purpose of reimbursing the Liquidity Facility Provider for drawings under the Liquidity Facility to pay the Purchase Price of the Series B-2 Bonds.

Any moneys held by the Tender Agent in the District Account remaining unclaimed by the Holders of the Purchased Series B-2 Bonds which were to have been purchased for three years after the respective Purchase Date for such Series B-2 Bonds shall be paid, upon the written request of the District to the District, against written receipt therefor. The Holders of Purchased Series B-2 Bonds who have not yet claimed money in respect of such Series B-2 Bonds shall thereafter be entitled to look only to the Tender Agent, to the extent it shall hold moneys on deposit in the Purchase Fund or the District to the extent moneys have been transferred in accordance with the Indenture.

No representation is made herein as to the timely exercise by DTC or any of its Participants of any direction with respect to an election to tender beneficial interests in Series B-2 Bonds, nor is any representation made herein as to the timely payment of principal and interest upon a tender of beneficial interests in Series B-2 Bonds under the book-entry system. Tenders of beneficial interests in Series B-2 Bonds under the book-entry system will be governed by the procedures of DTC and its Participants in effect from time to time. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

Undelivered Series B-2 Bonds. If any Holder of a Bond who has given notice of optional tender for purchase pursuant to the terms of the Indenture or any Holder of a Bond subject to mandatory tender for purchase pursuant to the Indenture fails to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond constitutes an “Undelivered Bond.” If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (a) the Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Indenture; (b) interest will no longer accrue thereon; and (c) funds in the amount of the purchase price of the Undelivered Bond are to be held by the Tender Agent for such Bond for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Designated Office.

Insufficient Funds. While a Liquidity Facility is in place with respect to the Series B-2 Bonds, if sufficient funds are not available for the purchase of Series B-2 Bonds tendered or deemed tendered and required to be purchased on any Purchase Date, all such Series B-2 Bonds will be returned to their respective owners, and the Trustee shall (i) return all moneys deposited in the Remarketing Account to the Remarketing Agent for return to the persons providing such moneys, (ii) return all moneys deposited in the Liquidity Instrument Purchase Account to the Liquidity Facility Provider, and (iii) return all moneys deposited in the District Account to the District.

Remarketing

Barclays Capital Inc. currently serves as the Remarketing Agent for the Series B-2 Bonds pursuant to the terms of the Indenture and a Remarketing Agreement with the District. The Remarketing Agent may resign or be removed at the direction of the District. Under the Remarketing Agreement, the Remarketing Agent has the right, under certain circumstances, to terminate the Remarketing Agreement upon thirty days’ notice.

Upon receipt of notice that any Series B-2 Bonds will be or are required to be tendered for purchase in accordance with the Indenture, the Remarketing Agent is required under the Indenture and the Remarketing Agreement to use its best efforts to remarket such Series B-2 Bonds at a price equal to the Purchase Price on the applicable Purchase Date in accordance with the applicable optional or mandatory tender provisions of the Indenture. The Remarketing Agent will transfer to the Tender Agent the proceeds of the remarketing of such Series B-2 Bonds.

Conversion of Interest Rate Determination Method

The Interest Rate Determination Method for the Series B-2 Bonds is subject to conversion, at the option of the District, from one Interest Rate Determination Method to another on any date on which the Series B-2 Bonds is subject to optional redemption, with such right to be exercised by delivery of a Conversion Notice to the Trustee and the Remarketing Agent. Upon receipt of a Conversion Notice, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Trustee is to give notice by first-class mail to the Owners of the Series B-2 Bonds in accordance with the Indenture. The Indenture provides that such notice may be rescinded on or prior to the effective date of the Conversion.

Special Considerations Relating to the Series B-2 Bonds

The Remarketing Agent is Paid by the District. The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Series B-2 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Reoffering Circular. The Remarketing Agent is appointed by the District and is paid by the District

for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series B-2 Bonds.

The Remarketing Agent Routinely Purchases Series B-2 Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series B-2 Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series B-2 Bonds in order to achieve a successful remarketing of the Series B-2 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series B-2 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series B-2 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series B-2 Bonds by routinely purchasing and selling Series B-2 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in any of the Series B-2 Bonds. The Remarketing Agent may also sell any Series B-2 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series B-2 Bonds. The purchase of Series B-2 Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Series B-2 Bonds in the market than is actually the case. The practices described above also may result in fewer Series B-2 Bonds being tendered in a remarketing.

Series B-2 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the subject Series B-2 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series B-2 Bonds (including whether the Remarketing Agent is willing to purchase Series B-2 Bonds for its own account). There may or may not be Series B-2 Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series B-2 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series B-2 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series B-2 Bonds at the remarketing price. In the event a Remarketing Agent owns any Series B-2 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series B-2 Bonds on any date, including an interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Series B-2 Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Series B-2 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series B-2 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series B-2 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series B-2 Bonds other than by tendering the Series B-2 Bonds in accordance with the tender process.

THE BANK

The information contained in this section relates to and has been obtained from the Bank. The delivery of the Reoffering Circular shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

Barclays Bank PLC (Bank) is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'.

Barclays Bank PLC (together with its subsidiary undertakings (Bank Group)) is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Bank Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Bank Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to Barclays PLC (together with its subsidiary undertakings (Group)), have been reorganized into Barclays Non-Core. These assets are designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2014¹, the Bank Group had total assets of £1,358,693m (2013: £1,344,201m), total net loans and advances² of £470,424m (2013: £474,059m), total deposits³ of £486,258m (2013: £487,647m), and total shareholders' equity of £66,045m (2013: £63,220m) (including non-controlling interests of £2,251m (2013: £2,211m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2014 was £2,309m (2013: £2,885m) after credit impairment charges and other provisions of £2,168m (2013: £3,071m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2014.

The delivery of the information concerning Barclays Bank PLC and the Bank Group herein shall not create any implication that there has been no change in the affairs of Barclays Bank PLC and the Bank Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

Barclays Bank PLC is responsible only for the information contained in this section of the Official Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Official Statement. Accordingly, Barclays Bank PLC assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Letter of Credit will be issued pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the Letter of Credit and the Reimbursement Agreement. Reference is made to the entire documents for the complete provisions thereof. Capitalized terms used below without definition have the meanings ascribed to them in the Reimbursement Agreement.

The Letter of Credit

The Letter of Credit will be the irrevocable transferable obligation of the Bank to pay the Trustee, upon request in accordance with the terms thereof, an amount sufficient to pay the outstanding principal amount of the Series B-2 Bonds, plus [35] days of interest thereon at a rate of [twelve percent] ([12]%) per annum, calculated on the basis of a year of 365 days for the actual number days elapsed, which amount shall initially equal \$38,450,000 (the "Original Stated Amount"), subject to reduction and reinstatement as described therein. The Trustee, upon compliance with the terms of the Letter of Credit, is authorized and directed to draw up to an amount sufficient (i) to

¹ As noted in the financial statements of the Bank for the year ended 31 December 2014, the prior year (2013) has been restated to reflect the IAS 32 (revised) standard.

² Total net loans and advances include balances relating to both bank and customer accounts.

³ Total deposits include deposits from bank and customer accounts.

pay accrued interest on the Series B-2 Bonds as provided for in the Indenture (referred to as an Interest Drawing), (ii) to pay the principal amount of and accrued interest on the Series B-2 Bonds in respect of any redemption of the Series B-2 Bonds as provided for in the Indenture (referred to as a Redemption Drawing), *provided* that in the event the date of redemption coincides with an Interest Payment Date (as defined in the Indenture) the Redemption Drawing shall not include any accrued interest on the Series B-2 Bonds (which interest is payable pursuant to an Interest Drawing), and further provided that should insufficient funds be on deposit with the Trustee to reimburse the Bank for the principal amount of the Series B-2 Bonds to be redeemed on any mandatory sinking fund redemption date, the bonds shall be purchased for the Bank in lieu of redemption with the Redemption Drawing (iii) to pay the purchase price of Series B-2 Bonds tendered for purchase as provided for in the Indenture which have not been successfully remarketed or for which the purchase price has not been received by the Trustee by 12:00 noon, New York, New York time, on the purchase date (referred to as a Liquidity Drawing), (iv) to pay the principal of and accrued interest in respect of the Series B-2 Bonds the payment of which has been accelerated pursuant to the Indenture (referred to as an Acceleration Drawing)], or (v) to pay the principal amount of the Series B-2 Bonds at maturity (referred to as a Stated Maturity Drawing), provided that should insufficient funds be on deposit with the Trustee to reimburse the Bank for the principal amount of bonds maturing on any maturity date, the bonds shall be purchased for the Bank in lieu of being paid at maturity with the Stated Maturity Drawing . No Drawings shall be made under the Letter of Credit for (i) Series B-2 Bonds bearing interest at a rate other than the Weekly Rate or the Daily Rate (the “Converted Series B-2 Bonds”), (ii) Series B-2 Bonds purchased with the proceeds of a Liquidity Drawing and registered in the name of the Bank or its nominee (the “Bank Series B-2 Bonds”) or (iii) Series B-2 Bonds owned by or on behalf of the District, to the extent set forth on the Trustee’s Bond Register or based upon actual knowledge of the Trustee (the “District Series B-2 Bonds” and, together with the Converted Series B-2 Bonds and the Bank Series B-2 Bonds, collectively referred to herein as the “Ineligible Series B-2 Bonds”).

The Letter of Credit will terminate on the earliest of (i) August [___], 20[___] (such date, as it may be extended from time to time in accordance with the Letter of Credit, being called the “Stated Expiration Date”), (ii) the earlier of (A) the date which is fifteen (15) days following the date on which all of the Series B-2 Bonds bear an interest rate other than the Weekly Rate or the Daily Rate as specified in a certificate from the Trustee to the Bank or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the date on which the Series B-2 Bonds bear an interest rate other than the Weekly Rate or the Daily Rate, (iii) the date of receipt by the Bank of notice from the Trustee that (A) no Series B-2 Bonds remain Outstanding within the meaning of the Indenture, (B) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored or (C) a substitute Letter of Credit has been issued to replace the Letter of Credit pursuant to the Indenture, (iv) the date on which a[n Acceleration Drawing or] Stated Maturity Drawing is honored by the Bank, and (v) the date which is fifteen (15) days following receipt by the Trustee of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement and directing the Trustee to [accelerate the Series B-2 Bonds or] to cause a mandatory tender of the Series B-2 Bonds.

The Available Amount of the Letter of Credit will be reduced to the extent of any drawing thereunder, subject to reinstatement with respect to interest drawings as described below. With respect to any Interest Drawing, the Available Amount will be reinstated by an amount equal to such Interest Drawing (subject to any subsequent reductions of the Available Amount attributable to interest upon payment by the Bank of any Redemption Drawing or Liquidity Drawing) immediately upon payment by the Bank of such Interest Drawing. Upon a remarketing of Series B-2 Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Bank’s obligation to honor drawings under the Letter of Credit will be automatically reinstated concurrently upon receipt by the Bank of the amount of such Liquidity Drawing relating to such Series B-2 Bonds purchased with the proceeds of such Liquidity Drawing plus all accrued interest thereon (or portions thereof) and written notice from the Trustee specifying such amounts.

The “Available Amount” shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest Drawings, Redemption Drawings, or Liquidity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided in the Letter of Credit.

The Reimbursement Agreement

Events of Default [Still subject to negotiation.]. The occurrence of any of the following events shall be an “Event of Default” under the Reimbursement Agreement:

- (a) the District shall fail to pay, or cause to be paid, as and when due any Obligation; or
- (b) the District shall fail to pay, or cause to be paid, when due any Parity Debt; or
- (c) any representation or warranty made by or on behalf of the District to the Bank in this Agreement, a Related Document or in any certificate or statement delivered hereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or
- (d) any “event of default” under any Related Document which is not cured within any applicable cure period shall occur; or
- (e) default in the due observance or performance of certain covenants set forth in the Reimbursement Agreement; or
- (f) default in the due observance or performance of any other term, covenant or agreement set forth in this Agreement or any other Related Document and the continuance of such default for fifteen (15) days; or
- (g) (i) any provision of this Agreement or any material provision of any of the Related Documents shall cease to be valid and binding, or (ii) a senior officer of the District shall, in writing, (A) claim that any material provision of this Agreement or any other Related Document is not valid or binding on the District or (B) repudiate its obligations under this Agreement or any other Related Document or its obligation to pay or repay any Parity Debt; or
- (h) an Event of Insolvency shall have occurred with respect to the District; or
- (i) dissolution or termination of the existence of the District; or
- (j) the District or any governmental agency or District with jurisdiction over the District shall initiate any legal proceedings to seek an adjudication that this Agreement, the Bonds, or any Related Document or its obligation to pay any Parity Debt is not valid or not binding on the District; or
- (k) any court of competent jurisdiction or other governmental entity with jurisdiction to rule on the validity of this Agreement, the Bonds or any of the Related Documents, shall announce, find or rule that this Agreement, the Bonds or any of the Related Documents is not valid or not binding on the District; or
- (l) one or more final, nonappealable judgments against the District, or attachments against the property of the District, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, unstayed, discharged, unbonded or undismissed for a period of sixty (60) days; or
- (m) (i) one hundred twenty (120) days after the long-term unenhanced debt rating assigned to the Bonds or any Parity Debt shall be reduced to or below “Baa2” by Moody’s or to or below “BBB” by S&P, (ii) the long-term unenhanced ratings assigned to the Bonds or any Parity Debt shall be withdrawn, suspended or reduced below “Baa3” by Moody’s or “BBB-” by S&P, or (iii) no Parity Debt shall have a long-term unenhanced rating from S&P or Moody’s; or
- (n) there shall be appointed or designated with respect to the District, an entity such as an organization, board, commission, District, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body

with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; or

(o) (i) default under any mortgage, agreement or other instrument under or pursuant to which Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or (ii) the District shall fail to perform any other agreement, term or condition contained in any agreement under which any such obligation is created or secured which results in such Debt becoming, or being capable of becoming, immediately due and payable, or, with respect to any Debt that is a Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early; or

(p) financial support provided to the District by the State in any Fiscal Year shall be fifteen percent (15%) less than the average financial support received by the District from the State in the prior two Fiscal Years.

Remedies. If an Event of Default shall have occurred under the Reimbursement Agreement, the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided by law:

(a) Upon the occurrence of any Event of Default, the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(b) by notice to the District declare all Obligations to be and such amounts shall thereupon become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the District; and/or

(c) give written notice to the Trustee with a copy to the District specifying that an Event of Default has occurred and is continuing, and that the Trustee is to give notice of mandatory tender of the Bonds thereby causing the Letter of Credit to expire fifteen (15) days thereafter, whereupon all amounts drawn under the Letter of Credit, all Liquidity Advances, all interest thereon and all other amounts payable hereunder or in respect hereof shall automatically be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the District; and/or

(d) exercise any and all other rights and remedies provided herein or under the Related Documents; and/or

(e) pursue any other action available at law or in equity.

SECURITY FOR THE SERIES B-2 BONDS

General

THE SERIES B-2 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 SERIES B-2 BONDS NOR THE OBLIGATION OF THE DISTRICT TO PAY THE PRINCIPAL ACCRETED VALUE OF, OR REDEMPTION PRICE OF OR THE INTEREST ON THE SERIES B-2 BONDS CONSTITUTES 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.

The Series B-2 Bonds are not subject to the debt limitations of the California Constitution, and the District is obligated to satisfy its obligations under the Series B-2 Bonds from any money lawfully available in any fund of the District. The Series B-2 Bonds are not limited as to payment to any special funds of the District, including the General Fund of the District. The obligation of the District to make payments with respect to the Series B-2 Bonds is not secured by a pledge of or lien on any funds of the District.

The Indenture provides that on or before March 1 of each calendar year the Trustee will notify the District, of the estimated amount of the obligation of the District due on the Series B-2 Bonds in the 12-month period beginning on the next succeeding May 1. The District agrees and covenants in the Indenture, to the extent permitted by law, to transfer to the Trustee for deposit in the Debt Service Fund from any source of legally available funds of the District, an amount equal to the aggregate amount of principal of and interest on the Series B-2 Bonds coming due and payable in such 12-month period no later than the May 1 immediately following receipt of the notice from the Trustee. The District also agrees and covenants in the Indenture to promptly adopt a supplemental budget or appropriation if required in order to pay the principal of and interest on the Series B-2 Bonds.

In determining the amounts of the District's obligations on the Series B-2 Bonds to be prefunded by deposit in the Debt Service Fund each May 1, (i) [Calculation mechanics to come.].

Not later than the fifth Business Day immediately preceding each Payment Date, the Trustee is required to determine whether the amounts held in the Debt Service Fund will be sufficient to pay the aggregate amount of principal and Accreted Value of and interest on the Series B-2 Bonds coming due and payable on such Payment Date, including the amount of any Sinking Fund Payments. If the Trustee determines that the amounts on deposit in the Debt Service will be insufficient to make such payment, the Trustee is required to immediately notify the District of such fact, and the District is required to pay the amount of such deficiency to the Trustee, from any source of legally available funds of the District, with such payment required to be made not later than three Business Days prior to the Payment Date. [Revisions for Weekly Rate Bonds to come.]

The 2005 OPEB Bonds are secured by a pledge of and lien on amounts held by the Trustee in the Retiree Health Benefit Program Fund. Notwithstanding such pledge and lien, so long as no Event of Default has occurred and is continuing under and as defined in the Indenture, amounts on deposit in the Retiree Health Benefit Program Fund will be applied for the purposes set forth above.

Retiree Health Benefit Fund

The Indenture establishes the Retiree Health Benefit Program Fund to be held by the Trustee in trust. All earnings on the investment of amounts in the Retiree Health Benefit Program Fund will be retained therein. The Trustee will disburse moneys in the Retiree Health Benefit Program Fund from time to time as follows:

(a) Transfers to Pay Retiree Health Benefit Costs. The Trustee will disburse moneys in the Retiree Health Benefit Program Fund from time to time to pay or reimburse the District for payment of Retiree Health Benefit Costs upon submission of a written request of the District stating (i) the person to whom payment is to be made, (ii) the amounts to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Retiree Health Benefit Program Fund, and (v) that such amounts have not been the subject of a prior disbursement; in each case accompanied by documentation evidencing the underlying obligation for which disbursement is requested. The Trustee is not responsible for examining such documentation or determining whether or not such documentation constitutes sufficient evidence of the underlying obligation.

(b) Transfers to Redeem or Defeas 2005 OPEB Bonds. If the District at any time determines that any or all of the amounts held in the Retiree Health Benefit Program Fund are or will not be required for payment of current or future Retiree Health Benefit Costs, the District may submit a written request of the District with the Trustee, requesting the Trustee to transfer such amounts from the Retiree Health Benefit Program Fund to the Debt Service Fund to be applied to redeem or defeas the 2005 OPEB Bonds in whole or in part.

Rate Stabilization Fund

At the request of the District filed with the Trustee at any time, the Trustee is required to establish, hold and administer a separate fund (the "Rate Stabilization Fund") in accordance with the Indenture. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, as the District may determine. The Trustee is required to disburse amounts in the Rate Stabilization Fund at the request of the District for any of the following purposes: (a) paying or making any annual prepayment by the District as

described in the Indenture, by transferring such amount to the Debt Service Fund; or (b) providing for the payment of Retiree Health Benefit Costs, by transferring such amounts to the Retiree Health Benefit Program Fund.

Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the 2005 OPEB Bonds. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District

Additional Bonds

The District may at any time issue Additional Bonds which are payable from the same sources as the 2005 OPEB Bonds, but only subject to the conditions set forth in the Indenture, which include the condition that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation to make payments to the Retiree Health Benefit Program pursuant to the Retirement Law relating to pension benefits accruing to the Retiree Health Benefit Program's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding.

Alternate Liquidity Facility

Subject to the restrictions contained in the Reimbursement Agreement and the Indenture, at any time the District may, at its option, furnish an Alternate Liquidity Facility in substitution for the Letter of Credit.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series B-2 Bonds involves investment risks that are discussed throughout this Reoffering Circular. The following are investment considerations that have been identified by the District and should be carefully considered by prospective purchasers of the Series B-2 Bonds. The following list should not be considered to be exhaustive and has been prepared within the context of this Reoffering Circular. Inclusion of certain investment considerations below is not intended to signify that there are not other investment considerations or risks attendant to the Series B-2 Bonds that are material to an investment decision with respect to the Series B-2 Bonds that are otherwise described or apparent elsewhere herein.

General

The primary security for the Series B-2 Bonds is intended to be an irrevocable direct-pay letter of credit. It is possible however, in the event of the insolvency of the Bank or the occurrence of some other event precluding the Bank from honoring its obligation to make payment as stated in the Letter of Credit, that the financial resources of the District will be the secondary source of payment on the Series B-2 Bonds.

The ability of the Bank to honor drawings on the Letter of Credit will be based solely on the Bank's general credit. The Trustee may not assert a claim for federal deposit insurance against the Federal Deposit Insurance District in respect of the Series B-2 Bonds or the Letter of Credit, and the owners of the Series B-2 Bonds should not assume any such insurance coverages are available with respect to the Series B-2 Bonds or the Letter of Credit. The ratings assigned to the Series B-2 Bonds on the Letter of Credit Issuance Date are dependent on the ratings of the Bank. There can be no assurance that the credit ratings of the Bank at that time or the District of a substitute letter of credit may not decline, which could result in a decline in any rating that may be assigned to the Series B-2 Bonds from time to time. Such a decline could, in turn, affect the market price and the marketability of the Series B-2 Bonds. For information concerning the Bank, see "THE BANK" in the forepart of this Reoffering Circular.

District Indebtedness

The District may incur additional obligations that constitute charges against its unrestricted revenues. To the extent that the District incurs any such additional obligations, the funds available to pay debt service with respect

to the Series B-2 Bonds may be decreased. The District has substantial indebtedness associated with funding its OPEB. The payment of debt service or other payments in connection with such indebtedness could decrease funds available to pay debt service with respect to the Series B-2 Bonds.

Failure of Auctions with respect to CARS

Currently, no market exists for auction rate securities in which Auctions with respect to the outstanding CARS can be conducted, 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 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 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. The payment of debt service on the CARS at such interest rates could be materially adverse to the District's financial condition.

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 adverse to the District's financial condition.

Limitation of Remedies

The rights of the Owners of the 2005 OPEB Bonds are subject to the limitations on legal remedies against community college districts in the State of California (the "State"), including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the Owners of the Series B-2 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 Bondowners.

Revenue Sources to Pay the 2005 OPEB Bonds

The District receives a portion of its funding from the collection of property taxes collected within the District's boundaries. 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 has agreed to advance 100% of the tax levy to the participating tax entity rather than the actual tax collections. However, the County has reserve the right to discontinue the Teeter Plan in the event the delinquency rate with respect to property tax collections exceeds 3% for any participating tax entity in any Fiscal Year.

The District also receives a portion of its General Fund revenues from the State as allocated through a program funding formula per unit of FTES. The number of FTES attending the Colleges within the District is dependent upon a number of factors, including, but not limited to, the general economic conditions within the

District. A substantial decline in the number of FTES could have a material adverse effect on the revenues of the District available to pay debt service on the 2005 OPEB Bonds. However, the District covenanted in the Indenture to include all debt service payments on the Series B-2 Bonds in its annual budgets and to make the necessary annual appropriations no later than May 1 of each year for such payments of debt service in the next Fiscal Year. See “ – Appropriation Risk” herein.

Investment of OPEB Trust Assets

Following the issuance of the 2005 OPEB Bonds, a Retirement Board was established by the District to supervise the investment of the OPEB Trust assets and oversee the investment advisor, Neuberger Berman LLC. The OPEB Trust portfolio is limited to domestic and international equities, fixed income securities and cash which may be subject to market volatility that could have a negative effect on the short and long term value of the investments in the OPEB Trust. The 2005 OPEB Bonds are secured by a pledge of and lien on amounts held by the Trustee in the Retiree Health Benefit Program Fund. Reductions in the value of the OPEB Trust portfolio would adversely affect the security for the Bonds.

Appropriation Risk

There are no applicable statutory provisions in the State that make payment of Debt Service a continuing appropriation of the District. The Trustee is required under the Indenture to notify the District on or before March 1 of each calendar year of the amount due on the Series B-2 Bonds in next Fiscal Year. The District covenants in the Indenture to include all debt service payments on the Series B-2 Bonds in its annual budgets and to make the necessary annual appropriations no later than May 1 of each year for such payments of debt service in the next Fiscal Year. Such covenant is a duty of the District imposed by law. See APPENDIX D—”SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST—Other Covenants of the District.”

Retiree Health Benefit Obligation Liability

Many factors influence the amount of the District’s Retiree Health Benefit Obligation liability, including, without limitation, inflationary factors, changes in the levels of benefit provided or in the contribution rates of the District, escalating costs of health care, and changes in actuarial assumptions or methods. Any of these factors could give rise to additional Retiree Health Benefit Obligation liability of the District as a result of which the District would be obligated to make additional payments to the Retiree Health Benefit Program Fund over the amortization schedule for full funding of the District’s Retiree Health Benefit Obligation liability.

Risk of Earthquake and Other Natural Disasters

Property taxes represent a significant portion of the District’s General Fund revenues. The District is located in a seismically active region. There are several earthquake faults in the region that potentially could result in damage to District-owned facilities and the buildings, roads, bridges, and property within the District’s boundaries in the event of an earthquake. The occurrence of seismic activity or other natural disaster could have a material adverse impact on the economy within the District’s boundaries and the County, residential and commercial property values, and the ability or willingness of property owners to pay their property taxes.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or adopt laws resulting in a reduction of moneys available to pay principal of and interest on the Series B-2 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 principal of and interest on the Series B-2 Bonds.

Subject to extension at the option of the Bank, the Letter of Credit expires on [August __, 20__]. The District is permitted at any time to deliver a Substitute Liquidity Facility in replacement of or as substitution for the Letter of Credit (and any prior Substitute Liquidity Facility).

LITIGATION

There is no litigation pending against the District or, to the knowledge of its officers, threatened, concerning the validity of the Series B-2 Bonds or the Loan Agreement or any proceedings of the District taken with respect to the issuance thereof or which, if successful, would materially adversely affect the operations or financial condition of the District.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series B-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series B-2 Bonds. Investors are urged to obtain independent tax advice regarding the Series B-2 Bonds based upon their particular circumstances.

APPROVAL OF LEGALITY

On December 28, 2005, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District rendered its opinion on the validity of the Series B-2 Bonds. A complete copy of the proposed form of Bond Counsel opinion is included as APPENDIX F to this Official Statement.

The validity of the Bonds has been established pursuant to California Code of Civil Procedure Section 860 *et seq.*

RATINGS

The District has received ratings of “__” and “__” respectively, from Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Service, a Standard and Poor’s LLC business (“S&P”) for the Series B-2 Bonds, based on the delivery of the Letter of Credit by Barclay’s Bank PLC, acting through its New York Branch. The District has received ratings of “__” and “__” respectively, from Moody’s and S&P for the Series B-2 Bonds, based solely on its own credit. The District has furnished to Moody’s and S&P certain information and materials concerning the Series B-2 Bonds and the District. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Series B-2 Bonds. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Series B-2 Bonds.

INDEPENDENT AUDITORS

The combined financial statements of the District as of and for the fiscal year ended June 30, 2014, included in APPENDIX B of this Reoffering Circular, have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report included in APPENDIX B appearing herein which report express an unqualified opinion on the combined financial statements and additional information.

FINANCIAL ADVISOR

KNN Public Finance, a Division of Zions National bank (KNN Public Finance), serves as financial advisor to the District with respect to the reoffering of the Series B-2 Bonds. KNN Public Finance is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Reoffering Circular.

Swap Financial Group LLC, South Orange, New Jersey, serves as swap advisor to the District. Swap Financial Group LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Reoffering Circular. Swap Financial Group LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

REMARKETING

The Series B-2 Bonds are being remarketed by Barclays Capital, Inc., as the Remarketing Agent. The Remarketing Agent receives ongoing fees from the District under the Remarketing Agreement for its duties as Remarketing Agent with respect to the Series B-2 Bonds. The Remarketing Agent reserves the right to join with other dealers in reoffering the Series B-2 Bonds to the public.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into Continuing Disclosure Undertaking (the “Continuing Disclosure Undertaking”) with respect to each of the Series A Bonds and Series B Bonds, in the form of APPENDIX D hereto, on or prior to the sale of the Series A Bonds and Series B Bonds, respectively, in which the District will undertake, for the benefit of the Beneficial Owners of the Series A Bonds and Series B Bonds to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Remarketing Agent in complying with the Rule. See APPENDIX D – “Form of Continuing Disclosure Undertaking” hereto.

In the last five years, the District failed to file notices of certain events required by its continuing disclosure undertakings for several of its bonds and its continuing disclosure undertakings relating to bonds issued by the Golden West Schools Financing Authority. The District also failed to properly associate its annual reports which were filed with the Electronic Municipal Market Access system with its General Obligation Bonds, Election of 1992 Series C and the Golden West Schools Financing Authority 2005 General Obligation Revenue Bonds. Additionally, in certain years, the District filed annual reports which failed to include current or prior year data regarding assessed valuations and top taxpayers. Such information, however, has since been made available to investors either through prior reports or official statements of the District.

RELATIONSHIP OF THE PARTIES

Barclay’s Bank PLC, acting through its New York Branch will issue the Letter of Credit. Barclays Capital, Inc. is expected to be the remarketing agent of the Series B-2 Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Series B-2 Bonds, the Indenture, the Letter of Credit and the Reimbursement Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Reoffering Circular. Copies, in reasonable quantity, of a form of the Indenture, Letter of Credit and the Reimbursement Agreement may be obtained during the offering period upon request directed to the Remarketing Agent.

This Reoffering Circular has been reviewed and approved by the Interim Vice Chancellor, Administrative Services of the District. This Reoffering Circular is not to be considered as a contract or agreement between the District and the purchasers or Holders of any of the Series B-2 Bonds.

APPROVED BY:

Interim Vice-Chancellor, Administrative Services

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE 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 Oakland hills, and Berkeley City College in downtown Berkeley. The District also operates one community education center in Oakland's Fruitvale neighborhood. The District's four colleges are fully accredited by the Accrediting Commission for Community and Junior Colleges ("ACCJC"). The District has a projected enrollment of 19,500 FTES in fiscal year 2014-15.

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: Interim Vice Chancellor, Finance & Administration, 333 East 8th Street, Oakland, California 94606, tel. (510) 466-7200.

Administration

The District is governed by a Board of Trustees. Seven members are elected to four-year terms. Elections for positions to the Board are held every two years, alternating between three and four available positions. The Board also has two student trustees.

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. Brief biographies follow.

Dr. Jowel Laguerre, Chancellor. Dr. Laguerre was appointed as Chancellor of the District in 2015. Prior to his appointment, Dr. Laguerre served as Superintendent/President of Solano Community College District in Solano, California. In that position, he was responsible for a California community college serving more than 10,000 students annually. Prior to Solano Community College, Dr. Laguerre was the Vice President for Academic Affairs at Truckee Meadows Community College in Reno Nevada, which has an enrollment of more than 13,000 credit students annually. Dr. Laguerre previously served as Executive Vice President for Academic and Student Services at Montgomery College in Maryland. In addition, he has held academic and student services positions at Lake Superior College in Minnesota including serving as Vice President of Student Services and Learning Support, Dean of Liberal Arts and Sciences and Director of Academic and Student Affairs. Dr. Laguerre holds a Ph.D., in Educational Leadership for college and university administration, a Master's of Science in Education in School Administration and a Master's of Arts in French Literature from the University of Kansas, and a Certification in Mathematics and Physics Education from l'Université d'Etat d'Haiti: Ecole Normale Supérieure, Port-au-Prince, Haiti.

Susan Rinne, Interim Vice Chancellor, Finance & Administration. Ms. Rinne was appointed as the Interim Vice Chancellor for Finance and Administration in October 2013. Prior to her appointment, Ms. Rinne served three years as the Budget Director for the District. She was introduced to the District when she worked with Education Management and Assistance Corporation as a fiscal advisor. Ms. Rinne was the Interim Director of Fiscal Services for Solano Community College District for two years and has thirty years of financial experience in K-14 districts. Her experience with education has included serving as Chief Financial Officer and Director of Fiscal Services at the K-12 level and Director of External Business Services at the county office of education level.

District Employees

As of June 2015, the District employed 315 full-time certificated professionals and 425 full-time classified employees and managers. In addition, the District employs 952 part-time faculty and staff. These employees, except management and some part-time employees, and excluding temporary employees, are represented by the three labor organizations set forth in the following table.

PERALTA COMMUNITY COLLEGE DISTRICT Bargaining Units

<u>Bargaining Unit</u>	<u>Number of Employees</u>	<u>Expiration Date of Current Labor Agreement</u>
Peralta Federation of Teachers	1,041	June 30, 2016
AFL/CIO, Local 1021	616	June 30, 2016
International Union of Operating Engineers, Local 39	105	June 30, 2016

Source: The District.

Retirement Programs

General. The District participates in the California State Teachers' Retirement System ("CalSTRS") and the California Public Employees' Retirement System ("CalPERS"). The amounts of the District's contributions to CalSTRS and CalPERS are subject to, among other things, collective bargaining agreements and changes in State law. CalPERS and CalSTRS are operated on a statewide basis and, based on available information, both have substantial unfunded liabilities. Accordingly, there can be no assurances that the District's required contributions to CalSTRS and CalPERS will not significantly increase in the future in excess of the current rates approved by State law and the District as described herein.

The CalSTRS plan covers all full-time certificated and some classified District employees. The following table sets forth the District's employer contribution to CalSTRS for Fiscal Years 2011-12 through 2014-15 and budgeted employer contribution for Fiscal Year 2014-15. The District has paid all of its annual required contributions to CalSTRS.

PERALTA COMMUNITY COLLEGE DISTRICT CalSTRS Contributions Fiscal Years 2011-12 through 2015-16

<u>Fiscal Year</u>	<u>District Contributions</u>
2011-12	\$3,161,222
2012-13	3,172,810
2013-14	3,587,113
2014-15	3,645,515
2015-16	4,081,921

Source: The District.

The District also participates in the CalPERS plan covers all classified personnel who are employed four or more hours per day. The following table sets forth the District's employer contribution to CalPERS for Fiscal Years 2011-12 through 2014-15 and budgeted employer contribution for Fiscal Year 2015-15. The District has paid all of its annual required contributions to CalPERS.

PERALTA COMMUNITY COLLEGE DISTRICT
CalPERS Contributions
Fiscal Years 2011-12 through 2015-16

<u>Fiscal Year</u>	<u>District Contributions</u>
2011-12	\$2,442,569
2012-13	2,638,078
2013-14	3,051,906
2014-15	3,458,942
2015-16	3,874,411

Source: The District.

Both CalPERS and CalSTRS are operated on a statewide basis and, based on available information, CalSTRS and CalPERS both have unfunded liabilities. CalPERS may issue certain pension obligation bonds to reach funded status. (Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (CalSTRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

In recent years, the combined employer, employee and State contributions to CalSTRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of CalSTRS has increased significantly. The District is unable to predict what the CalSTRS program liabilities will be in the future. In order to address CalSTRS funding inadequacies, the 2014-15 State Budget (defined below) set forth a plan of shared responsibility among the State, school districts and community college districts and teachers to shore up CalSTRS. The first year's increased contributions from all three entities are approximately \$275 million. The contributions would increase in subsequent years and are estimated to reaching more than \$5 billion annually.

Beginning in Fiscal Year 2014-15, employer, employee and State contributions to CalSTRS will increase pursuant to Assembly Bill 1469 (2014) ("AB 1469") which was enacted in July 2014. The District's employer contribution rate for Fiscal Year 2014-15 was 8.88% of covered payroll. Beginning in Fiscal Year 2015-16, the District's employer contribution rate will increase by 1.85% of covered payroll annually until the employer contribution rate is 19.10% of covered payroll. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS prior to approval by the Governor of PEPRA (defined herein) in September 2012 which stabled new retirement formulas for employees hired on or after January 1, 2013, will increase from 8.00% to 10.25% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminated CalSTRS' unfunded liability by June 30, 2014 based on actuarial recommendations. Pursuant to AB 1469, the State's contribution rates will increase from 3.041% to 6.328% from Fiscal Year 201-17.

The assets and liabilities of the funds administered by CalPERS and CalSTRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for fiscal year 2012-13, as fiduciary funds. Both CalPERS and CalSTRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

CalSTRS and CalPERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth below regarding CalSTRS and CalPERS has been obtained from publicly available sources and has not been independently verified by the District or Disclosure

Counsel and is not to be construed as a representation by the District or Disclosure Counsel. The information presented in these reports is not incorporated by reference in this Official Statement. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities as stated below.

The individual funding progress for the District is not provided in the schools portion of the actuarial report from CalPERS, but will be reported in the District’s financial statements beginning in Fiscal Year 2014-15 pursuant to GASB 68.

**STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

<u>Name of Plan</u>	<u>Excess of Actuarial Value of Assets Over Actuarial Accrued Liabilities (Unfunded Actuarial Accrued Liability)</u>
Public Employees’ Retirement Fund Schools (CalPERS) ⁽¹⁾	\$(12.005) billion ⁽²⁾
State Teachers’ Retirement Fund Defined Benefit Program (CalSTRS) ⁽³⁾	\$(72.718) billion ⁽⁴⁾

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- (1) As of June 30, 2013, the schools portion of the CalPERS Plan was comprised of 280,422 active members, 22,116 transfer members, 1170,094 terminated members, 202,199 receiving members.
- (2) Figure as of June 30, 2013, and reflects the market value of trust assets.
- (3) As of June 30, 2014, the CalSTRS Defined Benefit Program had approximately 420,887 active members, 182,815 inactive members and 275,627 retired members and beneficiaries.
- (4) Figure as of June 30, 2014.

Source: CalPERS Schools Actuarial Valuation as of June 30, 2013; CalSTRS Defined Benefit Program 2014 Actuarial Valuation as of June 30, 2014.

Public Employees’ Pension Reform Act. On August 28, 2012, Governor Brown and the State Legislature reached agreement on legislation to reform pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”) which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees first employed on or after January 1, 2013, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees first employed on or after January 1, 2013 while adjusting the retirement formulas, requires employees first employed on or after January 1, 2013 to pay at least 50% of the annual accrued actuarially determined normal costs of benefits and prohibits employers in any year in combination with employee contributions less than the plan normal cost, except as specified, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and special district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District’s future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on CalSTRS, CalPERS or the District’s pension obligations under STRS and PERS at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

Other Post-Employment Benefits

Benefits Plan. The District operates a single-employer defined benefit plan (the “Plan”) that provides post-employment healthcare benefits (the “Other 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.

Accrued Liability. The District has implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (“GASB 45”), pursuant to which the District has commissioned and received several actuarial studies of its liability with respect to the Other Post-Employment Benefits. The most recent of these studies, dated as of February 16, 2015 (the “Study”), concluded that the actuarial accrued liability (“AAL”) for the Other Post-Employment Benefits, as of the November 1, 2014, valuation date, was approximately \$152,429,050. The Study also concluded that the annual required contribution (“ARC”) for the year beginning November 1, 2014, was \$9,874,857. The ARC is the amount that would be necessary to fund value of future benefits earned by current employees (the “Normal Cost”) and amortize the AAL in accordance with GASB 45. For information regarding the basic assumptions upon which the valuations described above were based, see APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14 – Note 12.”

Funding Policy; OPEB Trust. The District currently funds its OPEB on a “pay-as-you-go” basis to cover the cost of benefits provided to current retirees. As of June 30, 2014, the District had recognized a long-term obligation of \$29,916,295 with respect to OPEB, based on its contributions towards the ARC for fiscal year 2012-13. See also APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14 – Note 12.”

The District has established the OPEB Trust, which is a revocable trust, from which the District reimburses its unrestricted General Fund for expenditures on OPEB. Initially, the OPEB Trust was funded with proceeds derived from the sale of the District’s OPEB Bonds. Responsibility for the investment of monies in the OPEB Trust rests with an independent retirement board (the “Retirement Board”) established by the District. The Retirement Board is comprised of five permanent members appointed by the Board of Trustees. Currently, the members include three members of the Board of Trustees, the Vice Chancellor, Finance & Administration and the Vice Chancellor, Human Resources. The Retirement Board also includes three advisory members representing the District’s bargaining units and three advisory members who are current retirees receiving Plan benefits.

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 Retirement Board. The Investment Advisor, who also serves as discretionary Investment Trustee with fiduciary obligations to the Retirement Board, advises the Retirement Board as to recommended asset allocations within the OPEB Trust portfolio, as well as long-term economic and market trends.

The Investment Policy is modeled after similar policies developed for the CalPERS program and the Alameda County Employees Retirement Association. The objectives of the Investment Policy are ensure the growth of Plan assets in a prudent manner and to invest Plan assets for the sole interest and exclusive purpose of providing benefits to participants. 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 quarterly to review investments and returns. As of June 30, 2013, the OPEB Trust had assets with a market value of \$194,270,054. As of March 31, 2015, the OPEB Trust had assets with a market value of \$220,089,370. The OPEB Trust does not qualify as a “plan” under GASB 45. Accordingly, the District’s most recent actuarial valuation recognizes plan assets as \$0.

OPEB Charge. Beginning in fiscal year 2012-13, the District implemented a uniformly applied District-paid charge (the “OPEB Charge”) to its categorical programs to supplement funds available in the OPEB Trust. The OPEB Charge is a function of the District’s currently projected ARC, calculated as a percentage of payroll for categorically funded active employees. The categorical funds to which the OPEB Charge applies are, during each fiscal year, accounted for in the OPEB Reserve Fund (defined herein). At the end of the fiscal year, such amounts are transferred to the OPEB Trust, to be invested in accordance with its Investment Policy, and applied to satisfy the Normal Cost and the unfunded past-service liability of active District employees. For fiscal year 2013-14, the OPEB Charge resulted in approximately \$5,057,172 of additional deposits to the OPEB Trust. The District has

budgeted \$5,661,062 for the OPEB Charge for fiscal year 2014-15. The District estimates that the OPEB Charge will, if annually renewed by the Board over the course of a 25-year period, result in approximately \$169,000,000 of deposits to the OPEB Trust, net of any interest earnings.

OPEB Reserve Fund. The District established a reserve fund (the “OPEB Reserve Fund”) during 2012, independent of the OPEB Trust or its General Fund, into which it has set aside surplus funds. Amounts on deposit in the OPEB Reserve Fund (other than amounts attributable to the OPEB Charge) are available to pay for any lawful expenditures of the District, including but not limited to, swap agreement termination payments, debt service on the OPEB Bonds, or OPEB. However, amounts in the OPEB Reserve Fund (other than amounts attributable to the OPEB Charge) may be withdrawn therefrom without any legal obligation of the District to replenish such amounts. The fiscal year 2013-14 year-end balance of the OPEB Reserve Fund was \$12,377,130, net of any revenues attributable to the OPEB Charge. The District has a budgeted a fiscal year 2014-15 year-end ending balance of \$12,377,130 in the OPEB Reserve Fund, net of any revenues attributable to the OPEB Charge. Funds on deposit in the OPEB Reserve Fund are invested in the County Investment Pool. See APPENDIX F – “THE ALAMEDA COUNTY POOLED SURPLUS INVESTMENTS.”

OPEB Bonds. On December 28, 2005, the District issued Taxable 2005 Limited Obligation OPEB (Other Post-Employment Benefit) Bonds (the “2005 OPEB Bonds”) in the aggregate principal amount of \$153,749,832.25 to refund the District’s accrued liability with respect to OPEB. The net proceeds from the 2005 OPEB Bonds were deposited into the OPEB Trust. The 2005 OPEB Bonds were issued as a series of fixed-rate bonds bearing periodic interest (the “Standard Bonds”), as well as six series of convertible auction rate bonds (the “CARS”). The CARS initially do not bear periodic interest, but instead accrete in value 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, 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, variable interest on the accreted value thereof as of the Full Accretion Date, at the rates set at each subsequent Auction.

In October of 2006, a portion of the 2005 OPEB Bonds were the subject of a modification whereby three maturities of the taxable Standard Bonds were purchased from investors and were issued as convertible capital appreciation bonds (the “Modified OPEB Bonds”) that were fully accreted and converted on August 1, 2009 to a fixed interest rate of 6.25% per annum. 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.

On February 19, 2009, the District issued its 2009 Taxable OPEB (Other Post-Employment Benefit) Refunding Bonds, in an aggregate principal amount \$48,725,000 (the “2009 OPEB Bonds”), to refund the remaining outstanding Standard Bonds, and one series of the CARS. On October 28, 2011, the District issued its 2011 Taxable Refunding Bonds, in an aggregate principal amount of \$53,505,000 (the “2011 OPEB Bonds” and together with the 2005 OPEB Bonds, Modified OPEB Bonds, and 2009 OPEB Bonds, the “OPEB Bonds”), to refund all of the outstanding 2009 OPEB Bonds.

The following table sets forth the requirements to amortize the accreted value on the remaining, unrefunded CARS and estimated interest due thereon, as well as the full debt service schedules for the Modified OPEB Bonds and the 2011 OPEB Bonds. The District is considering several options for a possible restructuring of the OPEB Bonds.

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**PERALTA COMMUNITY COLLEGE DISTRICT
OPEB Bonds Debt Service**

Fiscal Year	OPEB Bonds		Modified OPEB Bonds	2011 OPEB Bonds	Total Debt Service
	Accreted Value ⁽¹⁾	Estimated Interest ⁽²⁾	Total Debt Service ⁽³⁾	Total Debt Service ⁽⁴⁾	
2015	–	–	\$ 726,866.72	\$ 6,000,529.41	\$ 6,727,396.13
2016	–	\$1,345,750.00	727,807.04	5,573,435.23	7,646,992.27
2017	\$6,875,000.00	2,450,875.00	728,371.22	3,257,869.10	13,312,115.32
2018	7,325,000.00	1,953,875.00	728,559.28	4,323,687.35	14,331,121.63
2019	8,125,000.00	1,413,125.00	728,371.23	4,433,437.60	14,699,933.83
2020	8,750,000.00	822,500.00	727,807.04	4,771,867.08	15,072,174.12
2021	7,375,000.00	1,769,250.00	726,866.72	5,415,454.88	15,286,571.60
2022	7,800,000.00	2,749,250.00	725,550.27	4,395,019.55	15,669,819.82
2023	8,325,000.00	2,184,875.00	729,687.68	4,826,498.50	16,066,061.18
2024	9,200,000.00	1,571,500.00	727,242.85	4,956,995.10	16,455,737.95
2025	9,925,000.00	902,125.00	730,251.87	5,340,543.68	16,897,920.55
2026	7,925,000.00	2,290,750.00	726,678.65	6,141,247.53	17,083,676.18
2027	8,325,000.00	3,735,375.00	728,559.28	4,724,598.93	17,513,533.21
2028	8,850,000.00	3,134,250.00	729,687.67	5,260,106.51	17,974,044.18
2029	9,875,000.00	2,478,875.00	724,233.82	5,344,557.21	18,422,666.03
2030	10,600,000.00	1,762,250.00	730,063.80	5,816,981.16	18,909,294.96
2031	11,650,000.00	983,500.00	728,935.42	6,048,607.56	19,411,042.98
2032	8,225,000.00	3,320,625.00	727,054.78	7,281,728.63	19,554,408.41
2033	8,550,000.00	5,766,250.00	724,421.89	–	15,040,671.89
2034	8,975,000.00	5,152,875.00	726,866.71	–	14,854,741.71
2035	10,225,000.00	4,480,875.00	728,183.16	–	15,434,058.16
2036	10,850,000.00	3,743,250.00	728,371.22	–	15,321,621.22
2037	12,100,000.00	2,940,000.00	727,430.90	–	15,767,430.90
2038	13,000,000.00	2,061,500.00	725,362.20	–	15,786,862.20
2039	14,275,000.00	1,106,875.00	727,995.10	–	16,109,870.10
2040	8,675,000.00	5,010,250.00	729,123.49	–	14,414,373.49
2041	8,825,000.00	9,104,375.00	728,747.36	–	18,658,122.36
2042	9,100,000.00	8,477,000.00	726,866.72	–	18,303,866.72
2043	10,650,000.00	7,785,750.00	729,311.55	–	19,165,061.55
2044	11,150,000.00	7,022,750.00	729,875.75	–	18,902,625.75
2045	12,750,000.00	6,186,250.00	728,559.30	–	19,664,809.30
2046	13,525,000.00	5,266,625.00	725,362.21	–	19,516,987.21
2047	15,125,000.00	4,263,875.00	726,114.46	–	20,114,989.46
2048	16,400,000.00	3,160,500.00	724,609.94	–	20,285,109.94
2049	17,650,000.00	1,968,750.00	726,678.65	–	20,345,428.65
2050	19,300,000.00	675,500.00	726,114.46	–	20,701,614.46
	<u>\$360,275,000.00</u>	<u>\$119,042,000.00</u>	<u>\$28,376,575.71</u>	<u>\$103,423,962.37</u>	<u>\$611,117,538.08</u>

(1) Reflects the amortization of accreted value of the remaining outstanding CARS, comprising, for each maturity thereof, the initial principal amount and accreted interest thereon to the Full Accretion Date. Accreted value payments with respect to the CARS are due on August 5 of each year.

(2) Assumes an average coupon rate of 7.00% following a conversion of the CARS to fixed rate bonds.

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

(4) Payments of interest on the 2011 OPEB Bonds are payable semiannually on February 1 and August 1. Principal of the 2011 OPEB Bonds is payable on August 1 of each year.

Interest Rate Swaps. In 2006, 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, with a term equal to the final maturity thereof and with an effective date matching the Full Accretion Date for the related series of CARS. 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 one-month London Interbank Offered Rate (LIBOR). The amounts payable by each party

under the Swap Agreements are netted against the payments to be received the other party thereunder. The Swap Agreements were designed to create a synthetic fixed rate security that mitigates variable rate interest risk on the CARS.

Both the District and the Swap Provider have the right to terminate each Swap Agreement under certain conditions, in which event termination payments may be due to the non-terminating counterparty. Such termination payments could be substantial, and potentially adverse to the District’s financial condition. The District has also retained an advisor with nationally-recognized expertise in interest rates swaps to assist the District in monitoring the values of the remaining Swap Agreements. The Retirement Board has adopted a policy regarding its engagement in swap agreements.

For more information regarding the District’s Swap Agreements, see APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14 – Note 11.”

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in joint powers agreements with the Schools Excess Liability Fund (“SELF”), the Alliance of Schools for Cooperative Insurance Programs (“ASCIP”), and the Alameda County Schools Insurance Group (“ACSIG,” and, together with SELF and ASCIP, the “JPAs”) for its property, liability and health insurance. See also APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14 – Note 13” and “– Note 15.” The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

During Fiscal Year 2014-15, the District contracted with ASCIP for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2012, to June 30, 2013.

	<u>Workers’ Compensation</u>
Liability Balance, June 30, 2012	\$2,778,000
Net claims and changes in estimates	<u>17,135</u>
Liability Balance, June 30, 2013	<u>\$2,795,135</u>

Source: The District.

At June 30, 2014, the Internal Service Fund had retained deficits in the amount of \$1644,809.

The District has contracted with ACSIC to provide workers compensation insurance. ACSIG is a shared risk pool comprised of schools in Alameda County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Trustees of ACSIG has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

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. Section 84030 of the California Education Code requires all California community college districts to follow the manual. Governmental Accounting Standards Board Statement No. 34 (“GASB 34”) made 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. Pursuant to GASB 34, 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.

District Enrollment

The table below sets forth the FTES figures for the District for fiscal years 2008-09 through 2014-15.

**PERALTA COMMUNITY COLLEGE DISTRICT
Full-Time Equivalent Students
Fiscal Years 2008-09 through 2014-15**

<u>Fiscal Year</u>	<u>Total FTES</u>	<u>Funded FTES</u>	<u>Unfunded FTES</u>
2008-09	20,359	19,805	554
2009-10	22,160	19,010	3,150
2010-11	19,871	19,510	361
2011-12	18,591	17,928	663
2012-13	18,099	18,099	--
2013-14	18,843	18,718	125
2014-15	19,500	19,500	--

Source: The District.

The District had no unfunded FTES as of the final adjusted annual FTES report for fiscal year 2014-15 and is budgeted to have 1.5% unfunded for fiscal year 2015-16. The District is planning at a 0.25% growth rate, as the State growth allocations are not currently known. The table below sets forth the projected funded FTES in the District for the next five fiscal years.

**PERALTA COMMUNITY COLLEGE DISTRICT
FTES Five-Year Projections**

<u>Fiscal Year</u>	<u>FTES</u>
2015-16	19,555
2016-17	19,604
2017-18	19,653
2018-19	19,703
2019-20	

Source: The District.

District Investments

The Treasurer and Tax Collector (the “Treasurer”) of the County manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts in the County, various special districts, and some cities within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts be held in the County’s Treasury Pool.

The composition and value of investments under management in the County’s Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. See APPENDIX F – “THE ALAMEDA COUNTY POOLED SURPLUS INVESTMENTS.”

Revenue Limits

California community college districts (other than Basic Aid districts, as described below) receive approximately 58% of their funds from the State, 39% from local sources, and 3% from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery, and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources. Funds for fiscal years up to and including 2005-06 were allocated to the colleges using a program-based model. The model used different factors to establish support levels for five different programs or functions: (1) Instruction and Instructional Administration; (2) Instructional Services; (3) Student Services; (4) Operation and Maintenance of Plants; and (5) Institutional Support. The program-based model was instituted in 1991, and replaced an older model based on enrollments. From and after fiscal year 2006-07, a revised model was and is used based on the adoption of Senate Bill 361 (“SB 361”). See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues – *General*” herein. All 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.

Funding of a district’s revenue limit is accomplished by a mix of (1) local property taxes (2) State apportionments of basic aid and (3) student enrollment fees. Generally, the State apportionments amount to the difference between the district’s revenue limit and its local property tax revenues and student enrollment fees.

Proposition 13 and its implementing legislation permit each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness), and prescribe how levies on county-wide property values were to be shared with local taxing entities within each county.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted for non-payment on or about June 30 of the fiscal year and is subject to the power of sale five years from such date if delinquent taxes are not paid. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the Treasurer. See “SECURITY FOR THE SERIES B-2 BONDS - Revenue Sources to Pay the 2005 OPEB Bonds” in the forepart of this Reoffering Circular.

Federal Revenues

The federal government provides funding for several District programs, including Supplemental Education Opportunity Grants, Work Study, Pell Grant, Veterans’ Education, and Temporary Assistance for Needy Families.

Expenditures

Funding of the above revenue limits is accomplished by a mix of local property taxes and State aid. Since the passage of Article XIII A of the California Constitution in 1978, property taxes received by the District have been limited to the District’s share of one percent of the full cash value collected by the County. See “CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES” in the forepart of this Official Statement.

As noted in the financial statements included and attached as APPENDIX B, the District’s major expenditures each year are employee salaries and benefits.

Financial Statements of the District

The District's General Fund finances most of the activities of the District. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the District's financial statements follows. The District's audited financial statements for fiscal year 2013-14 are attached hereto as APPENDIX B. The District's complete audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District's Fiscal Services Office located at 333 East 8th Street, Oakland, California 94606, telephone: (510) 466-7200. The District may impose a fee for copying, mailing and handling.

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

Funds used by the District are categorized as follows:

Governmental Funds

General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds

Fiduciary Funds

Associated Students Trust Fund
Student Financial Aid Trust Fund
Retiree Health Fund

Proprietary Funds

Enterprise Funds
Internal Service Funds

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

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Director of Fiscal Services for the District and audited by independent certified public accountants each year. See "INDEPENDENT AUDITORS" in the forepart of this Reoffering Circular.

Budgets of District

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

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The Chancellor of California Community Colleges (the "State Chancellor") imposes a uniform budgeting format for each community college district in the State. See "– Accounting Practices" herein.

Recent Financial History of the District

Since fiscal year 2008-09, the District has faced significant challenges resulting from an erosion of State funding and deficiencies in its own operating practices. The failure to adopt budgets and submit quarterly reports to the State Chancellor's office in a timely manner were identified by the District's auditors as material weaknesses in its reporting practices. See "– Recent Audit Findings" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14."

In an effort to complete the District's fiscal year 2008-09 audited financial statements and position the District for sustainable financial and operational improvement, the District instituted an administrative reorganization designed to address deficiencies in its financial and operating practices. This reorganization started with the 2010 appointment of an interim chancellor, who stressed the stabilization of the District's internal leadership, the development of improved Board policies and procedures, accountability, and the clarification of the relationship between the Board of Trustees and the District's administrative staff. This reorganization resulted in the replacement of senior administrators, phasing out certain non-essential positions, revising of hiring practices, and a refocusing of the Board of Trustees toward policy-setting and away from day-to-day involvement in District management. The District is currently searching for a permanent Vice Chancellor, Finance and Administration.

Additionally, the District has engaged the services of consultants to provide independent analysis of existing deficiencies and recommend improvements. Chief among these has been the hiring of the Educational Management and Assistance Corporation to assist the District in improving its internal fiscal controls. The District also retained the services of an advisor to initiate a complete revision of Board policies. Based on the recommendation of this advisor, the District has adopted new policies related to duties and responsibilities of the Board of Trustees and the conduct of meetings.

Accreditation

The District currently operates four colleges that are accredited by ACCJC, a division of the Western Association of Schools and Colleges. As of the June 2015 reports of ACCJC, two of the District's colleges, Laney College and Berkeley City College, are currently on warning and two of the District's colleges, the College of Alameda and Merritt College, are on probation. Accreditation by the ACCJC is voluntary and designed to evaluate and enforce standards of educational quality and institutional effectiveness. Accreditation is also a form of peer review. ACCJC standards and criteria and developed and implemented by representatives from the member institutions. The ACCJC is not a governmental agency and has no direct authority over the District's operations.

The ACCJC may issue several types of sanctions against participating institutions, depending on the degree to which the institution is out of compliance with accreditation standards. Institutions may be issued a warning, indicating the ACCJC's concern regarding certain existing deficiencies. An institution deviating significantly from accreditation standards may be placed on probation. Finally, an institution that continues to be significantly out of compliance with accreditation standards, or fails to properly respond to ACCJC inquiries, will be issued an order to show cause why its accredited status should not be terminated. Regardless of the sanction issued, the institution's accredited status continues until terminated. As of the date hereof, the District's colleges remain accredited notwithstanding their warning or probation status which has been assigned to them.

Recent Audit Findings

The District's audited financial statements for fiscal year 2013-14 set out 10 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, documentation and standardization of procedures, and management of risk related to the Swap Agreements and the Other Post Employment Benefit programs. The vast majority of these audit findings are deficiencies identified in prior audits, and represent on-going challenges currently being addressed by District management. The District provided a response to each of the audit findings. For more information regarding the audit findings, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14."

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District Finances

The following pages describe the District's audited financial results for the fiscal years 2010-11 through 2013-14, as well as a comparison of the adopted General Fund budget for fiscal years 2012-13 through 2014-15 to the audited actuals for fiscal years 2012-13 through 2013-14 and unaudited actuals for 2014-15, and set forth the adopted General Fund budget for fiscal year 2015-16.

PERALTA COMMUNITY COLLEGE DISTRICT Audited Statement of Revenues, Expenditures and Changes in Net Assets Fiscal Years 2010-11 through 2013-14

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
OPERATING REVENUES				
Enrollment, tuition and other fees (gross)	\$19,709,386	\$24,451,586	\$31,661,555	\$30,834,612
Less: Scholarship discounts and allowances	(6,185,481)	(10,742,715)	(17,104,985)	(14,637,006)
Net enrollment, tuition and other fees	13,523,905	13,708,871	14,556,570	16,197,606
Other Operating Revenue	353,456	1,635,621	1,853,103	1,238,517
TOTAL OPERATING REVENUES	13,877,361	15,344,492	16,409,673	17,436,123
OPERATING EXPENSES				
Salaries	76,077,916	72,932,973	75,402,147	82,461,431
Employee benefits	46,446,802	44,825,812	47,634,603	45,959,384
Supplies, materials and other operating expenses and services	22,918,477	25,271,187	25,678,553	24,130,109
Student financial aid	32,845,278	36,458,350	38,326,487	41,303,971
Equipment, maintenance, and repairs	1,030,451	1,298,861	-	0
Depreciation	18,817,947	15,529,880	15,347,535	14,304,212
TOTAL OPERATING EXPENSES	198,136,871	196,317,063	202,389,325	208,159,107
OPERATING INCOME (LOSS)	(184,259,510)	(180,972,571)	(185,979,652)	(190,722,984)
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	67,700,314	67,694,670	58,547,385	68,496,627
Federal grants and contracts	41,686,223	42,749,071	44,861,988	47,354,584
State grants and contracts	10,641,481	9,977,919	9,729,712	10,937,761
Local property taxes, levied for general purposes	28,886,048	22,228,247	42,288,630	34,771,675
Taxes levied for specific purposes	31,151,708	31,559,960	31,283,589	32,874,996
State taxes and other revenues	4,927,080	4,873,751	5,121,810	6,045,140
Net interest income	13,307,159	3,997,333	7,956,199	3,897,849
Net unrealized gain (loss) on investments	25,627,048	(920,755)	16,719,358	24,324,775
Interest expense on capital related debt	(37,809,990)	(35,988,627)	(26,822,810)	(28,893,627)
Investment income on capital asset-related debt, net	64,600	8,300	31,442	0
Transfer to agency fund	-	-	(511,316)	(19,527)
Other non-operating revenue	11,200,635	13,343,759	10,517,415	11,894,082
TOTAL NON-OPERATING REVENUES (EXPENSES)	197,382,306	159,523,628	199,723,402	211,684,335
INCOME BEFORE OTHER REVENUES	13,122,796	(21,448,943)	13,743,750	20,961,351
Local revenues, capital	188,507	1,402,458	1,127,185	2,004,565
CHANGE IN NET ASSETS	13,311,303	(20,046,485)	14,870,935	22,965,916
NET ASSETS, BEGINNING OF YEAR	58,557,652	71,868,955	65,209,306⁽¹⁾	72,616,306⁽²⁾
NET ASSETS, END OF YEAR	\$71,868,955	\$51,822,470	\$80,080,241	\$95,582,222

⁽¹⁾ The District's prior year beginning net position has been restated as of June 30, 2013. Effective in fiscal year 2012-13, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$13,386,836.

Source: The District.

PERALTA COMMUNITY COLLEGE DISTRICT
Schedule of Financial Trends and Analysis for the General Fund (Restricted and Unrestricted)
for Fiscal Years 2012-13 through 2013-14, Budget and Unaudited Actuals for Fiscal Year 2014-15,
and Tentative Budget for 2015-16

	2012-13		2013-14		2014-15		2015-16
	Budgeted	Audited Actuals	Budgeted	Audited Actuals	Budgeted	Unaudited Actuals	Tentative Budget ⁽²⁾
REVENUES:							
State	\$60,214,614	\$60,176,077	\$122,778,971	\$121,078,009	\$67,396,913	\$71,879,563	\$88,983,547
Local	40,523,039	46,081,363	--	--	46,682,083	47,862,120	46,296,814
Trans Res	11,398,445	9,152,116	12,095,688	12,095,688	13,128,094	13,128,104	13,128,094
Total Revenues	<u>\$112,136,098</u>	<u>\$115,409,556</u>	<u>\$123,100,438</u>	<u>\$133,173,697</u>	<u>\$127,207,090</u>	<u>\$132,869,787</u>	<u>\$148,408,465</u>
EXPENDITURES:							
Full Time Academic	\$18,383,337	\$16,233,586	\$20,480,206	\$18,252,185	\$21,353,690	\$20,200,324	\$25,554,302
Academic Admin	3,385,898	3,466,038	4,529,549	4,214,078	4,864,416	4,744,919	5,344,766
Other Faculty	5,667,564	4,622,437	4,485,454	1,964,688	5,679,831	5,677,171	5,386,849
Part Time Academic	7,140,736	13,791,828	7,837,197	15,018,835	8,226,114	11,912,337	10,054,765
Classified Salary	20,716,521	20,070,025	23,107,113	22,594,964	24,464,869	23,894,231	25,667,043
Fringe Benefits	37,566,502	37,216,997	37,777,023	36,875,804	38,598,080	38,494,900	40,620,392
Books, Supplies, Svs.	13,478,072	12,800,416	17,817,958	14,775,855	15,958,462	16,103,720	16,546,691
Equipment Cap Outlay	107,435	180,531	385,067	327,151	176,576	686,332	390,018
Debt Service Transfer	5,690,033	5,613,258	6,359,404	7,054,449	7,885,052	8,570,989	8,660,460
Total Expenditures	<u>\$112,136,098</u>	<u>\$113,995,116</u>	<u>\$122,778,971</u>	<u>\$121,078,009</u>	<u>\$127,207,090</u>	<u>\$130,284,923</u>	<u>\$138,225,286</u>
Beginning Fund Balance	\$9,322,904	\$10,017,896	\$12,095,688	\$12,095,688	\$14,178,006	\$15,069,819	\$17,654,673
Revenues over Expenses	--	1,414,440	311,467	2,974,131	--	2,584,854	10,183,179
Ending Fund Balance	<u>\$9,322,904</u>	<u>\$11,432,336</u>	<u>\$12,407,155</u>	<u>\$15,069,819</u>	<u>\$14,178,006</u>	<u>\$17,654,673</u>	<u>\$27,837,852</u>

Source: The District

District Debt

The District has issued general obligation bonds, including the Refunded Bonds, pursuant to several voter-approved authorizations. The proceeds of such bonds have been used to renovate, construct and acquire District sites and facilities, as well as the refunding of prior outstanding debt. The District's 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 general obligation bonds.

District voters authorized the District to issue \$50,000,000 in general obligation bonds at an election held on November 3, 1992 (the "1992 Authorization"). There is no remaining authorization under the 1992 Authorization. District voters authorized the District to issue \$153,200,000 in general obligation bonds at an election held on November 7, 2000 (the "2000 Authorization"). There is no remaining authorization under the 2000 Authorization. On June 6, 2006, District voters authorized the District to issue \$390,000,000 in general obligation bonds (the "2006 Authorization"). There remains \$115,000,000 of authorized but unissued general obligation bonds under the 2006 Authorization. All general obligation bonds of the District are issued on a parity with one another.

The District has a number of other outstanding debt obligations. See APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Other-Post Employment Benefits – OPEB Bonds" and "– Interest Rate Swaps."

The following table sets forth the outstanding general obligation bond issuances by the District.

**PERALTA COMMUNITY COLLEGE DISTRICT
Outstanding General Obligation Bonds⁽¹⁾**

<u>Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Amount Outstanding⁽²⁾</u>	<u>Date of Delivery</u>
Election of 1992, Series C ⁽³⁾	\$ 8,000,000	\$	June 12, 1997
Election of 2000, Series B	30,000,000		May 30, 2002
Election of 2000, Series D	55,700,000		July 21, 2005
Election of 2006, Series A	75,000,000		August 31, 2006
Election of 2006, Series B	100,000,000		November 27, 2007
Election of 2006, Series C	100,000,000		September 15, 2009
2005 Refunding Bonds ⁽⁴⁾	32,975,000		September 13, 2005
2009 Refunding Bonds ⁽⁵⁾	39,080,000		January 14, 2010
2012 Refunding Bonds ⁽⁶⁾	59,005,000		May 4, 2012

⁽¹⁾ Reflects principal outstanding prior to the issuance of the Bonds.

⁽²⁾ As of August 1, 2015.

⁽³⁾ On June 30, 2005, the Golden West Financing Authority issued its 2005 General Obligation Revenue Bonds, the proceeds of which were used to purchase the District's Election of 1992, Series C Bonds.

⁽⁴⁾ 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 Series B Bonds, the proceeds of which were used to purchase the 2005 Refunding Bonds.

⁽⁵⁾ Refunded the District's outstanding 2001 Refunding General Obligation Bonds, the remaining outstanding Election of 2000 Series A Bonds, and a portion of the 2000 Series B Bonds.

⁽⁶⁾ Refunded portions of the District's outstanding Election of 2000, Series C Bonds, 2000 Series D Bonds and 2002 General Obligation Refunding Bonds.

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

PERALTA COMMUNITY COLLEGE DISTRICT
Outstanding General Obligation Bonded Debt⁽¹⁾

Year Ending August 1	Election of 2006, Series A Debt Service	Election of 2006, Series B Debt Service	Election of 2006, Series C Debt Service	2009 Refunding Bonds	2012 Refunding Bonds	2014 Refunding Bonds	Annual Debt Service
2015	\$2,498,600	\$3,900,863	\$7,482,563	\$2,919,200	\$5,518,556	\$ 10,007,015	\$32,326,796
2016	2,501,200	3,904,613	6,806,813	2,919,950	5,486,106	10,013,725	31,632,406
2017	–	3,902,863	6,808,313	2,902,950	5,482,306	12,302,975	31,399,406
2018	–	1,434,750	6,809,563	2,888,200	4,843,056	14,627,475	30,603,044
2019	–	1,434,750	6,806,313	2,190,450	4,843,056	14,644,225	29,918,794
2020	–	1,434,750	6,806,625	2,188,950	4,836,556	14,635,725	29,902,606
2021	–	1,434,750	6,805,375	3,234,950	4,833,556	13,697,225	30,005,856
2022	–	1,434,750	6,807,300	3,240,863	4,828,556	13,099,225	29,410,693
2023	–	1,434,750	6,808,413	3,236,863	4,821,306	13,100,975	29,402,306
2024	–	1,434,750	6,806,463	3,235,438	4,811,556	13,106,025	29,394,232
2025	–	1,434,750	6,808,088	3,237,244	4,704,056	12,134,525	26,318,663
2026	–	1,434,750	6,809,300	3,238,919	2,698,306	11,895,025	26,076,299
2027	–	1,434,750	6,806,588	3,235,344	2,694,056	11,902,275	26,073,013
2028	–	1,434,750	6,805,788	1,703,869	4,216,056	13,233,525	27,393,987
2029	–	1,434,750	6,809,263	1,703,888	4,211,456	13,236,525	27,395,882
2030	–	1,434,750	6,808,250	1,705,900	4,200,656	13,228,275	27,377,831
2031	–	1,434,750	6,809,250	1,705,050	4,191,000	14,388,375	28,528,425
2032	–	1,434,750	6,804,750	–	4,185,000	9,667,375	22,091,875
2033	–	6,629,750	6,804,500	–	2,222,219	3,087,825	18,744,294
2034	–	6,630,000	6,807,750	–	2,217,969	3,087,625	18,743,344
2035	–	6,627,250	6,808,750	–	–	3,088,025	16,524,025
2036	–	6,626,000	6,807,000	–	–	–	13,433,000
2037	–	6,625,500	6,807,000	–	–	–	13,432,500
2038	–	–	6,808,000	–	–	–	6,808,000
2039	–	–	6,809,250	–	–	–	6,809,250
Total	\$4,999,800	\$66,368,089	\$170,861,263	\$45,488,025	\$83,845,388	\$238,183,965	\$609,746,527

⁽¹⁾ Numbers may be rounded.

Source: The District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. On September 29, 2006, the Governor signed into law Senate Bill No. 361 (“SB 361”) which established the formulas for allocating general-purpose apportionments to California community college districts beginning fiscal year 2006-07. SB 361 required the Board of Governors of the California Community Colleges (the “Board of Governors”) to develop criteria and standards 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 based on the number of credit and noncredit FTES in each district.

SB 361 specified that, commencing with fiscal year 2006-07, the marginal amount of credit revenue allocated per credit FTES would not be less than \$4,367, noncredit instruction would be funded at a uniform rate of \$2,626 per FTES, and career development and college preparation would be funded at a rate of \$3,092 per FTES, each subject to cost of living adjustments in the budget act in subsequent fiscal years.

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 needs. 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 State Legislature to the districts. The sum of the property taxes, student enrollment fees, and State aid generally comprise a district's revenue limit. See "CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES" herein for additional information regarding Article XIII A, assessed valuations and *ad valorem* property taxes.

A small part of each 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. The initiative authorizing the lottery requires that Districts use the funds for instructional materials and prohibits their use for capital purposes.

Budget Procedures. On or before September 15 of each calendar year, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title 5, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges (the "Chancellor's Office"), 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 January 10 a proposed State budget is presented by the Governor to the Legislature. The Governor's proposed State budget is then analyzed and discussed in committees, and hearings begin in the State Assembly and Senate. In May of each year, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she supports. The law requires the Legislature to submit its approved budget by June 15. State law requires the Governor to announce his or her line item reductions and sign the State budget by June 30.

In response to growing concern for accountability the statewide Board of Governors and the Chancellor's Office have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), 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 State Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of the 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 State Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES 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.

Proposition 98

General. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (a) in general, a fixed percent of the State's General Fund revenues ("Test 1"), (b) the

amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to State per capita personal income) and enrollment (“Test 2”), or (c) pursuant to a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income (“Test 3”), districts would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a “credit” to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of fiscal year 1988-89, implementing Proposition 98, determined the K-14 districts’ funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor’s concurrence, to suspend the K-14 districts’ minimum funding formula for a one-year period. In 1989, the Legislature and the Governor last utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years’ estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of \$1.3 billion during fiscal year 1990-91, \$1.1 billion during fiscal year 1991-92, \$1.3 billion during fiscal year 1992-93 and \$787 million during fiscal year 1993-94. These loans have been combined with the K-14 fiscal year 1992-93 loans into one loan totaling \$1.760 billion. The State proposed that repayment of this loan would be from future years’ Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

State Assistance

The principal funding formulas and revenue sources for school and community college districts are derived from the budget of the State. **The following information concerning the State’s budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Remarketing Agent, Bond Counsel, Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, the County, Bond Counsel, Disclosure Counsel nor the Remarketing Agent assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov. This website is not incorporated herein by reference and neither the District nor Remarketing Agent make any representation as to the accuracy of the information provided therein.**

2014-15 State Budget. On June 20, 2014, Governor Brown signed the fiscal year 2014-15 State Budget Act (the “2014-15 State Budget”). The 2014-15 State Budget including approximately \$109.3 billion in State General Fund resources (including revenues, transfers and prior year balance) and approximately \$108.0 billion in planned State General Fund expenditures. \$1.6 billion in State General Fund revenues will be transferred to a budget stabilization fund. The 2014-15 State Budget includes an approximately 7.2% State General Fund spending increase from the State’s fiscal year 2013-14 budget. The 2014-15 State Budget includes approximately \$10 billion more in Proposition 98 funding than in fiscal year 2013-14.

The Fiscal Year 2014-15 State Budget included the constitutional amendment (“Proposition 2 (2014)”) which, upon its approval at the November 2014 Statewide election, changed the formula by which the Rainy Day Fund is funded and established certain accounts therein. Proposition 2(2014), among other things, established a Public School System Stabilization Account in the Rainy Day Fund. See “State Funding of Education – Limitations on School District Reserves” and “California Constitutional and Statutory Provisions Relating to Ad Valorem Property Taxes, District Revenues and Appropriations – Proposition 98” herein.

The 2014-15 State Budget included the following significant adjustments affecting California community colleges:

- *Investing in Student Success* — \$170 million in the Proposition 98 State General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes \$100 million to increase orientation, assessment, placement, counseling and other education planning services for all matriculated students. It also targets \$70 million to close achievement gaps in access and achievement in underrepresented student groups.
- *Allocating Apportionments* — An increase of \$140.4 million in the Proposition 98 State General Fund for growth in general-purpose apportionments, which represents a 2.75 percent increase in enrollment. The 2014-15 State Budget directs the Board of Governors to adopt a growth formula that gives first priority to districts identified as having the greatest unmet need in adequately serving their community’s higher education needs.
- *Cost-of-Living Adjustment* — An increase of \$47.3 million for a statutory cost of living adjustment of 0.86 percent.
- *Eliminating Apportionment Deferrals* — Designating \$498 million to the Proposition 98 State General Fund to buy down outstanding deferral debt owed to California community colleges.
- *Financial Stability for Apportionments* — An increase of \$40.5 million in fiscal year 2013-14 and \$37.8 million fiscal year 2014-15 in Proposition 98 State General Fund by shifting a portion of the redevelopment agency revenues that are scheduled to be received in the final months of the fiscal year to the following fiscal year. Proposition 98 State General Fund would be used to backfill the difference between estimated total fiscal year redevelopment agency revenues and the amount California community colleges receive through April 15th of any given fiscal year.
- *Investing in Deferred Maintenance and Instructional Equipment* — A one-time increase of \$148 million to the Proposition 98 State General Fund, split equally between deferred maintenance and instructional equipment purchases.

2015-16 State Budget. The Governor signed the Fiscal Year 2015-16 State budget (the “2015-16 State Budget”) on June 24, 2015. The 2015-16 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years and setting aside reserves. Additionally, the 2015-16 State Budget increases spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary.

The 2015-16 State Budget projects \$115 billion in revenues and transfers, a 3.3 percent increase over Fiscal Year 2014-15. By the end of Fiscal Year 2015-16, the State’s Rainy Day Fund is budgeted to have an estimated balance of \$3.5 billion. The State expects to repay the remaining \$1 billion in deferrals to schools and community colleges, make the final payment on the \$15 billion in Economic Recovery Bonds used to cover budget deficits since 2002 and reduce outstanding mandate liabilities owed to schools and community colleges by \$3.8 billion.

The 2015-16 State Budget included the following significant adjustments affecting California community colleges:

- *Apportionments*—The 2015-16 State Budget provides an increase of \$156.5 million Proposition 98 General Fund for growth in general-purpose apportionments in accordance with the new growth formula approved in connection with the 2014-15 State Budget. The Governor estimates that the increased allocation will represent a 3% increase in FTES enrollment.
- *Eliminating Apportionment Deferrals*—2015-16 State Budget allocates \$94.5 million of Proposition 98 General Fund to eliminate deferrals of funding to community college districts in accordance with the revenue trigger set forth in the 2014-15 State Budget.
- *Adult Education* – The 2015-16 State Budget allocates \$500 million of Proposition 98 State General Fund to the Adult Education Block Grant program to provide funds for adult education administered by school districts, county offices of education and community college districts. Pursuant to the Governor’s adult education policy, school districts, county offices of education and community college districts that received State and federal funding for adult education are expected to be members of an adult education consortium and develop a comprehensive regional plan for adult education. the 2015-16 State Budget includes an allocation of \$25 million of Proposition 98 State General Fund for assistance to such adult education consortium.
- *Mandate Backlog Payments*—The 2015-16 State Budget allocates \$604 million of Proposition 98 General Fund to continue the State’s payment of outstanding mandate claims by community colleges. The Governor expects these payments to further reduce outstanding mandate debt and provide community colleges with resources to address various one-time needs that they may have such as, among other things, curricula redesign and start-up costs for new career technical education programs.
- *Career Technical Education* – The 2015-16 State Budget establishes the Career Technical Education Incentive Grant Program and allocates \$400 million, \$300 million and \$200 million of Proposition 98 State General Fund in Fiscal Years 2015-16, 2016-17 and 2017-18, respectively for local education agencies to establish or expand Career Technical education programs.
- *Career Technical Education*— In connection with the State’s Career Technical Education program for local education agencies, the 2015-16 State Budget allocates \$48 million of one-time Proposition 98 General Fund to support the program at the Chancellor’s Office. The Governor expects these funds to provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands.
- *Student Success Programs* – The 2015-16 State Budget provides an increase of \$185 million Proposition 98 State General Fund for programs related to student success and achievement and to strengthen efforts to assist students from underrepresented populations. The allocation will consist of \$100 million to increase education planning services, \$85 million to close access and achievement gaps identified in student equity plans and \$15 million for services for foster youth participating in Extended Opportunity Programs and Services.
- *Increased Operating Expenses*—The Budget provides an additional \$266.7 million Proposition 98 General Fund to increase base allocation funding with respect to operating expenses in the areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time and other general expenses.
- *Cost of Living Adjustments* - The 2015-16 State Budget provides an increase of \$61 million Proposition 98 General Fund to reflect a 1.02% COLA. In addition, the 2015-16 State Budget provides a COLA of 1.02% for categorical programs including the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program and the Child Care Tax Bailout program.
- *Full-Time Faculty*—The 2015-16 State Budget provides an allocation of \$62.3 million of Proposition 98 General Fund to increase the number of full-time faculty in each community college district.

- *Basic Skills and Student Outcomes Transformation Program*—The 2015-16 State Budget allocates \$60 million Proposition 98 General Fund to community colleges which will be appropriated to basic skills instruction including, among other things, placement, remediation, and support for underprepared students and their postsecondary educational and career goals.
- *Apprenticeship Programs*— The 2015-16 State Budget provides an increase of \$29.1 million Proposition 98 General Fund for expansion of apprenticeship programs. The increased allocation is comprised of \$14.1 million to expand existing apprenticeship programs and \$15 million to create innovative apprenticeship demonstration projects with respect to new and emerging industries.
- *Enhanced Non-Credit Rate Change*—The 2015-16 State Budget allocates \$49.5 million Proposition 98 General Fund to reflect an increase adopted with the 2014-15 State Budget in the funding rate for career development and college preparation non-credit courses to equal the rate provided for credit courses.
- *Deferred Maintenance and Instructional Equipment*—The 2015-16 State Budget allocates approximately \$148 million of one-time Proposition 98 General Fund to community colleges which can be appropriated for deferred maintenance, instructional equipment and specified water conservation projects.

Proposition 1A

Proposition 1A (“Proposition 1A”), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions.

Final State Budgets

Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State budget was adopted, including those scheduled to be made to community college districts under Proposition 98 and receipt of State categorical funds by the District was delayed until the State budget was adopted for fiscal year 2008-09. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District’s budget, it will be necessary for the District’s staff to review the consequences of the changes, if any, at the State level from the proposals in the May Revision for that year, and determine whether the District’s budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. Further State actions taken to address its budgetary difficulties could have the effect of reducing the District’s support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in future fiscal years. The District also cannot predict the impact future State budgets will have on the District’s finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control. In addition, the District cannot predict the extent to which general economic conditions within the State or budgetary problems, if any, that the State may have in the future will impact the District’s budget, operations or enrollment.

CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES

Article XIII A of the California Constitution

On June 16, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”).

Proposition 26

On November 2, 2010, California voters approved Proposition 26 as an amendment to Section 3 of Article XIII A (and Section 1 of Article XIII C) of the State Constitution that requires a two-thirds vote in the State Legislature to pass certain State fees, levies, charges and tax revenue allocations that under the State’s previous rules could be enacted by a simple majority vote. Certain local fees must also be approved by two-thirds of voters. Proposition 26 expanded the scope and definition of a State or local tax to include many payments previously considered to be fees or charges, so that more proposals would require approval by two-thirds of the State Legislature or by local voters.

Article XIII B of the California Constitution

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

Unitary Property

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

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

California Lottery

In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a California State Lottery (the “State Lottery”), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance or full-time equivalent students at each school and community college district; however, the exact allocation formula may vary from year to

year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

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

The District's 1992 Authorization and 2000 Authorization were approved under Proposition 46.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters voting on the measure, subject to the restrictions explained above.

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

The District's 2006 Authorization was approved under Proposition 39.

Article XIII C and XIII D of the California Constitution

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

special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters voting on a bond measure, depending upon the Article of the Constitution under which it is passed. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

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

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, or a 55% vote when issuing general obligation bonds under Proposition 39, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Prohibitions on Diverting Local Revenues for State Purposes

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District’s future receipt of tax increment revenues.

As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue.

Future Initiatives and Propositions

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 46, 39 and 1A were each adopted as measures that were subject to voter approval. From time to time, voter-approved initiative measures could be adopted, further affecting the District’s revenues or their ability to expend revenues.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The population figures of the City of Alameda, the City of Albany, the City of Berkeley, the City of Emeryville, the City of Oakland, the City of Piedmont, the County and the State from 2010 through 2015 are set forth in the following table.

**POPULATION
2011 through 2015⁽¹⁾**

<u>Year</u>	<u>City of Alameda</u>	<u>City of Albany</u>	<u>City of Berkeley</u>	<u>City of Emeryville</u>	<u>City of Oakland</u>	<u>City of Piedmont</u>	<u>County of Alameda</u>	<u>State of California</u>
2011	74,052	18,345	113,925	10,110	392,333	10,710	1,517,756	37,427,946
2012	74,546	18,468	114,690	10,186	394,838	10,793	1,530,206	37,668,804
2013	75,197	18,446	115,814	10,278	388,699	10,900	1,550,119	37,984,138
2014	75,961	18,457	117,383	10,481	405,703	11,011	1,574,497	38,357,121
2015	76,638	18,565	118,780	10,570	410,603	11,113	1,594,569	38,714,725

⁽¹⁾ Data as of January 1 of each year.
Source: California State Department of Finance.

Employment

The following tables set forth the principal employers in the City of Alameda, the City of Berkeley and the City of Oakland.

**CITY OF ALAMEDA
Principal Employers
Fiscal Year 2013-14**

<u>Employer</u>	<u>Number of Employees</u>
1. Telecare Corp	2,100
2. Wind River Systems Inc	1,800
3. Alameda Unified School District	863
4. VF Outdoor	600
5. City of Alameda	500
6. Alameda Hospital	492
7. Celera Corp	490
8. A G Ferrari Foods	275
9. ATPA	250
10. Bay Ship & Yacht Co	250

Source: City of Alameda

CITY OF BERKELEY
Principal Employers
Fiscal Year 2013-14

<u>Employer</u>	<u>Number of Employees</u>
1. University of California, Berkeley	14,808
2. Lawrence Berkeley National Labs	3,443
3. Sutter East Bay Hospitals	2,393
4. Berkeley Unified School District	1,772
5. City of Berkeley	1,323
6. Bayer Corporation	1,208
7. Kaiser Permanente Medical Group	585
8. Berkeley Bowl Produce	532
9. Pyramid Acquisition II Management LLC	504
10. Berkeley YMCA	403

Source: City of Berkeley

CITY OF OAKLAND
Principal Employers
Fiscal Year 2013-14

<u>Employer</u>	<u>Number of Employees</u>
1. Oakland Unified School District	7,664
2. County of Alameda	6,428
3. Alta Bates Summit Medical Center	5,110
4. Kaiser Permanente Medical Center	4,793
5. City of Oakland	4,095
6. California State Transportation Dept.	3,500
7. Bay Area Rapid Transit	3,230
8. East Bay Municipal Utility District	3,000
9. Alameda Health System	2,800
10. Children's Hospital	2,700

Source: City of Oakland

The following table sets forth the labor force, employment, civilian employment and the unemployment rate in the City of Alameda, the City of Albany, the City of Berkeley, the City of Emeryville, the City of Oakland, the City of Piedmont, the State of California and the United States during the period from 2010 through 2014.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2010 through 2014

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate</u>
<u>2010</u>				
City of Alameda	39,700	36,600	3,100	7.8%
City of Albany	9,000	8,500	400	4.9
City of Berkeley	58,900	52,500	6,300	10.7
City of Emeryville	4,500	4,100	400	8.1
City of Oakland	205,100	170,500	34,600	16.9
City of Piedmont	5,400	5,100	300	5.9
California	18,330,538	16,063,550	2,266,988	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
<u>2011</u>				
City of Alameda	40,000	37,200	2,800	7.1%
City of Albany	9,000	8,600	400	4.4
City of Berkeley	59,100	53,300	5,800	9.8
City of Emeryville	4,500	4,200	300	7.4
City of Oakland	204,800	173,000	31,800	15.5
City of Piedmont	5,500	5,200	300	5.4
California	18,404,466	16,237,286	2,167,180	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Alameda	40,800	38,300	2,500	6.1%
City of Albany	9,300	8,900	400	3.8
City of Berkeley	60,200	55,000	5,100	8.5
City of Emeryville	4,600	4,300	300	6.4
City of Oakland	206,600	178,500	28,100	13.6
City of Piedmont	5,600	5,300	300	4.7
California	18,494,881	16,560,348	1,934,533	10.5
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of Alameda	41,300	39,200	2,100	5.0%
City of Albany	9,400	9,100	300	3.1
City of Berkeley	60,600	56,300	4,300	7.0
City of Emeryville	4,700	4,400	200	5.3
City of Oakland	206,000	182,700	23,400	11.3
City of Piedmont	5,700	5,400	200	3.8
California	18,596,800	16,933,300	1,663,500	8.9
United States	155,379,000	143,919,000	11,460,000	7.4

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate</u>
<u>2014</u>				
City of Alameda	41,000	38,900	2,100	5.1%
City of Albany	9,800	9,400	400	3.8
City of Berkeley	60,800	57,900	2,900	4.7
City of Emeryville	7,100	6,800	300	3.8
City of Oakland	209,600	194,400	15,200	7.3
City of Piedmont	5,500	5,300	200	3.3
California	18,811,400	17,397,100	1,414,300	7.5
United States				

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

Taxable Transactions

The following tables set forth taxable transactions in the City of Alameda, the City of Berkeley and the City of Oakland for the years 2008 through 2012, the last year being the most recent full year for which data is currently available.

CITY OF ALAMEDA Taxable Sales Transactions (\$ in thousands)

	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	\$ 22,469	\$ 25,647	\$ 18,916	\$ 19,464	20,247
Home Furnishings and Appliance Stores	22,772	14,014	15,645	14,974	14,798
Building Materials, Garden Equipment and Supplies	15,594	16,685	17,943	17,720	19,028
Food and Beverage Stores	57,408	58,256	63,843	66,330	69,200
Gasoline Stations	44,175	52,226	69,631	77,426	77,956
Clothing and Clothing Accessories Stores	23,486	28,674	32,943	35,291	38,100
General Merchandise Stores	N/A	N/A	N/A	N/A	N/A
Food Services and Drinking Places	89,218	93,017	99,828	111,123	121,462
Other Retail Group	83,958	85,963	88,075	93,759	106,324
Total Retail and Food Services	\$359,079	\$374,483	\$406,824	\$436,087	467,115
All Other Outlets	186,548	168,685	176,586	205,798	215,520
Total All Outlets	\$545,627	\$543,168	\$583,410	\$641,885	682,635

Source: California State Board of Equalization, Research and Statistics Division.

CITY OF BERKELEY Taxable Sales Transactions (\$ in thousands)

	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	\$ 105,991	\$ 112,777	\$ 111,874	\$ 129,075	124,818
Home Furnishings and Appliance Stores	61,908	64,135	60,559	63,544	68,097
Building Materials, Garden Equipment and Supplies	80,987	80,430	79,168	83,947	90,090
Food and Beverage Stores	82,004	89,959	99,355	102,640	113,764
Gasoline Stations	69,433	81,167	96,585	104,802	99,403
Clothing and Clothing Accessories Stores	54,648	54,930	58,189	58,945	58,294
General Merchandise Stores	9,020	9,119	9,796	10,984	11,876
Food Services and Drinking Places	226,592	233,765	247,864	274,112	286,626
Other Retail Group	258,281	243,838	252,917	241,548	240,873
Total Retail and Food Services	\$948,865	\$970,121	\$1,016,307	\$1,069,598	1,093,841
All Other Outlets	281,337	299,939	306,720	353,778	365,931
Total All Outlets	\$1,230,203	\$1,270,060	\$1,323,027	\$1,423,376	1,459,772

Source: California State Board of Equalization, Research and Statistics Division.

CITY OF OAKLAND
Taxable Sales Transactions
(\$ in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Motor Vehicle and Parts Dealers	\$ 312,956	\$ 322,398	\$ 360,512	\$ 433,795	\$ 458,477
Home Furnishings and Appliance Stores	131,257	127,565	120,093	125,237	122,462
Building Materials, Garden Equipment and Supplies	166,595	152,601	161,559	171,465	222,184
Food and Beverage Stores	235,529	244,491	260,444	282,119	290,995
Gasoline Stations	409,514	463,784	582,623	627,578	596,505
Clothing and Clothing Accessories Stores	61,381	64,695	66,119	68,735	76,458
General Merchandise Stores	87,274	87,588	141,127	156,370	160,484
Food Services and Drinking Places	471,705	501,335	529,287	586,076	645,172
Other Retail Group	294,565	281,997	282,563	290,249	298,368
Total Retail and Food Services	<u>\$2,170,777</u>	<u>\$2,246,454</u>	<u>\$2,504,327</u>	<u>\$2,741,626</u>	<u>2,871,106</u>
All Other Outlets	1,051,198	1,063,871	1,228,906	1,290,286	1,308,243
Total All Outlets	<u>\$3,221,975</u>	<u>\$3,310,325</u>	<u>\$3,733,332</u>	<u>\$4,031,912</u>	<u>\$4,179,349</u>

Source: California State Board of Equalization, Research and Statistics Division.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

APPENDIX C
SUMMARY OF PRINCIPAL DOCUMENTS

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX E HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE DISTRICT, THE DISTRICT, THE BANK, THE REMARKETING AGENT OR THE TRUSTEE AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS REOFFERING CIRCULAR.

The Depository Trust Company (“DTC”) New York, NY, acts as securities depository for the Series B-2 Bonds. The Series B-2 Bonds will be offered 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 issue of the Series B-2 Bonds, each in the aggregate principal amount of such issue, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a 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 the Series B-2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series B-2 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 Series B-2 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 beneficial ownership interests in the Series B-2 Bonds, except in the event that use of the book-entry system for the Series B-2 Bonds is discontinued.

To facilitate subsequent transfers, all Series B-2 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 Series B-2 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 Series B-2 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series B-2 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 Series B-2 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series B-2 Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series B-2 Bonds may wish to ascertain that the nominee holding the Series B-2 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 Bond Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series B-2 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series B-2 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the respective District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series B-2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds and interest payments on the Series B-2 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 a payment 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 Participants and not of DTC, its nominee, the District, the District or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series B-2 Bonds purchased or tendered (subject to the terms of the Indenture), through its Participant, to the Tender Agent, and shall effect delivery of such Series B-2 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series B-2 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series B-2 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series B-2 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series B-2 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series B-2 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, Bond certificates are required to be printed and delivered.

Any District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates for such Series B-2 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES B-2 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS OF THE SERIES B-2 BONDS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES B-2 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

The District, the District, the Bank, the Remarketing Agent and the Trustee cannot and do not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal or purchase price of and interest and premium, if any, on the Series B-2 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Reoffering Circular. None of the District, the District, the Bank, the Remarketing Agent or the Trustee is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series B-2 Bonds or any error or delay relating thereto.

APPENDIX F

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