

Board of Trustees Agenda Item

Board Meeting Date: 5/2/11

Title of Item: Resolution #2011-16 Authorizing the Issuance of Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C and approving the forms of Bond Purchase Contract and Preliminary Official Statement for such Bonds

Background and Analysis:

An election was held in the Foothill-De Anza Community College District on June 6, 2006, for the issuance and sale of general obligation bonds of the District for various purposes in the maximum amount of \$490,800,000 (the "Authorization"). The District has previously issued \$249,991,936.50 of bonds under the Authorization. The District now desires to issue up to \$190,000,000 of additional bonds under the Authorization.

Recommendation: Staff recommends approval of Resolution #2011-16, Authorizing the Issuance of Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C and approving the forms of Bond Purchase Contract and Preliminary Official Statement for the Bonds.

Submitted by:	Kevin McElroy
Additional contact names:	Charles Allen
Is backup provided?	Yes

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

DATE: May 2 , 2011

TO: Board of Trustees

FROM: Kevin McElvoy, Vice Chancellor, Business Services

RE: Resolution #2011-16 Authorizing the Issuance of Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C and approving the forms of Bond Purchase Contract and Preliminary Official Statement for such Bonds

BACKGROUND

An Election was held in the Foothill-De Anza Community College District on June 6, 2006 for the issuance and sale of general obligation bonds of the District for various purposes in the maximum amount of \$490,800,000 (the "Authorization"). The District has previously issued \$249,991,936.50 of bonds under the Authorization. The District now desires to issue up to \$190,000,000 of additional bonds under the Authorization.

(a) Bond Resolution. This Resolution authorizes the issuance of general obligation bonds (the "Bonds"). The resolution specifies the basic terms, parameters and forms of the Bonds, and approves the form of Bond Purchase Contract and form of Preliminary Official Statement described below. In particular, Section 1 of the Resolution establishes the maximum aggregate principal amount of the Bonds to be issued (\$190,000,000). Section 3 of the Resolution states a negotiated sale and the maximum underwriter's discount (1.0%) with respect to the Bonds, and authorizes the Bonds to be sold at a negotiated sale.

(b) Form of Bond Purchase Contract. Pursuant to the Bond Purchase Contract, Morgan Stanley & Co., Incorporated will agree to buy the Bonds from the District. All the conditions of closing the transaction are set forth in this document, including the documentation to be provided at the closing by various parties. Upon the pricing of the Bonds, the final execution copy of the Bond Purchase Contract will be prepared following this form.

(c) Form of Preliminary Official Statement. The Preliminary Official Statement ("POS") is the offering document describing the Bonds which may be distributed to prospective purchasers of the Bonds. The POS discloses information with respect to among other things (i) the proposed uses of proceeds of the Bonds, (ii) the terms of the Bonds (interest rate, redemption terms, etc.), (iii) the bond insurance policy for the Bonds, if any, (iv) the security for repayment of the Bonds (the tax levy), (v) information with respect to the District's tax base (upon which such *ad valorem* taxes may be levied), (vi) District financial and operating data, (vii) continuing disclosure with respect to the Bonds and the District, and (viii) absence of litigation and other miscellaneous matters expected to be of interest to prospective purchasers of the Bonds. Following the pricing of the Bonds, a final Official Statement for the Bonds will be prepared, substantially in the form of the POS.

FISCAL IMPACT

There is no fiscal impact to the General Fund resulting from the issuance of the Bonds.

RECOMMENDATION

Staff recommends approval of Resolution #2011-16, Authorizing the Issuance of Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C and approving the forms of Bond Purchase Contract and Preliminary Official Statement for the Bonds.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
RESOLUTION NO. 2011-16**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE FOOTHILL-DE
ANZA COMMUNITY COLLEGE DISTRICT AUTHORIZING THE
ISSUANCE OF FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA) ELECTION OF 2006 GENERAL
OBLIGATION BONDS, SERIES C**

WHEREAS, a duly called election was held in the Foothill-De Anza Community College District (the "District"), Santa Clara County, State of California, on June 6, 2006 (the "Election") and thereafter canvassed pursuant to law;

WHEREAS, at the Election there was submitted to and approved by the requisite fifty-five percent vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$490,800,000 payable from the levy of an *ad valorem* tax against the taxable property in the District;

WHEREAS, on May 10, 2007, the District issued two series of bonds authorized pursuant to the Election in the respective aggregate principal amounts of \$149,995,250.35 and \$99,996,686.15;

WHEREAS, at this time the Board of Trustees of the District (the "Board") has determined that it is necessary and desirable to issue one or more additional series of bonds authorized pursuant to the Election in the aggregate principal amount not-to-exceed \$190,000,000 to be styled as "Foothill-De Anza Community College District (Santa Clara County, California) Election of 2006 General Obligation Bonds, Series C"(with an appropriate additional designation if more than one series of bonds is issued) (collectively, the "Bonds");

WHEREAS, pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the Bonds are authorized to be issued by the District for the purposes set forth in the ballot submitted to voters at the Election; and

WHEREAS, this Board desires to authorize the issuance of the Bonds in one or more series of taxable or tax-exempt bonds, and further as any combination of Current Interest Bonds, Capital Appreciation Bonds, or Convertible Capital Appreciation Bonds, all as further defined herein; and

WHEREAS, this Board desires to appoint certain professionals to provide services related to the issuance of the Bonds; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including this proposed issue of Bonds, is within all limits prescribed by law;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT, SANTA CLARA COUNTY, CALIFORNIA AS FOLLOWS:

SECTION 1. Purpose; Authorization. To raise money for the purposes authorized by voters of the District at the Election and to pay all necessary legal, financial, engineering and contingent costs in connection with issuing the Bonds, this Board hereby authorizes the issuance of the Bonds, in one or more series of bonds, in accordance with the provisions of the Act. The Bonds shall be dated as of a date of delivery (or such other date as is reflected in the Purchase Contract, as defined below), shall bear interest at rates not-to-exceed that authorized at the Election, shall be payable upon such terms and provisions as shall be set forth in the Bonds, and shall be in an aggregate principal amount not-to-exceed \$190,000,000. The Board hereby authorizes the sale of the Bonds at a negotiated sale, which is determined to provide more flexibility in the timing of the sale, an ability to implement the sale in a shorter time period, an increased ability to structure the Bonds to fit the needs of particular purchasers, and a greater opportunity for Underwriter (defined herein) to pre-market the Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds.

This Board further authorizes the issuance of the Bonds as any combination of Current Interest Bonds, Capital Appreciation Bonds, and Convertible Capital Appreciation Bonds as set forth in the fully-executed Purchase Contract (defined herein).

SECTION 2. Paying Agent. The Board does hereby appoint U.S. Bank National Association, the authenticating agent, Paying Agent, transfer agent, fiscal agent and paying agent (collectively, the "Paying Agent") for the Bonds on behalf of the District.

SECTION 3. Approval of Purchase Contract. The form of bond purchase agreement (the "Purchase Contract") by and between the District and Morgan Stanley & Co. Incorporated (the "Underwriter"), for the purchase and sale of the Bonds on file with the Secretary to the Board is hereby approved and the Chancellor of the District (the "Chancellor") and the Vice Chancellor, Business Services of the District (the "Vice Chancellor, Business Services"), and such other officers or employees of the District as may be designated for such purpose (collectively, the "Authorized Officers"), each alone, are hereby authorized to execute and deliver the Purchase Contract, but with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that (i) the maximum interest rate on the Bonds shall not exceed that authorized at the Election, and (ii) the Underwriter's discount, excluding original issue discount, shall not exceed 1.0% of the aggregate principal amount of Bonds. The Board estimates that the costs associated with the issuance of the Bonds, including compensation to the Underwriter and any such costs which the Underwriter agrees to pay pursuant to the Purchase Contract will equal approximately 1.2% of the principal amount of the Bonds. The Authorized Officers, each alone, are further authorized to determine the principal amount of the Bonds to be specified in the Purchase Contract for sale by the District up to \$190,000,000 and to enter into and execute the Purchase Contract with the Underwriter, if the conditions set forth in this Resolution are satisfied.

SECTION 4. Certain Definitions. As used in this Resolution, the terms set forth below shall have the meanings ascribed to them (unless otherwise set forth in the Purchase Contract or the Official Statement):

(a) **“Accreted Interest”** means, with respect to Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, the Accreted Value thereof as of the date of calculation, minus the Denominational Amount thereof.

(b) **“Accreted Value”** means, with respect to the Capital Appreciation Bonds and with respect to the Convertible Capital Appreciation Bonds prior to the Conversion Date thereof, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each February 1 and August 1 (commencing on August 1, 2011 (unless otherwise provided in the Purchase Contract)) at the stated Accretion Rate to maturity or conversion thereof, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

(c) **“Accretion Rate”** means, unless otherwise provided by the Purchase Contract, that rate which, when applied to the Denominational Amount of a Capital Appreciation Bond or a Convertible Capital Appreciation Bond, and compounded semiannually on each February 1 and August 1 (commencing on August 1, 2011), produces the Maturity Value on the maturity date, in the case of a Capital Appreciation Bond, and the Conversion Value on the Conversion Date, in the case of a Convertible Capital Appreciation Bond.

(d) **“Bond Insurer”** means any insurance company which issues a municipal bond insurance policy insuring the payment of Principal, Conversion Value or Maturity Value of and interest on the Bonds.

(e) **“Bond Payment Date”** means (unless otherwise provided by the Purchase Contract or the Official Statement) (i) with respect to the Current Interest Bonds, February 1 and August 1 of each year, commencing February 1, 2012, with respect to the interest on the Current Interest Bonds, and the stated maturity dates thereof, with respect to the principal payments on the Current Interest Bonds, (ii) with respect to the Convertible Capital Appreciation Bonds, February 1 and August 1 of each year, commencing on the first such February 1 or August 1 following the respective Conversion Dates thereof, with respect to the interest on the Convertible Capital Appreciation Bonds and the stated maturity dates thereof, with respect to the principal payments on the Convertible Capital Appreciation Bonds, and (iii) with respect to the Capital Appreciation Bonds, the stated maturity dates thereof, as applicable.

(f) **“Capital Appreciation Bonds”** means the Bonds the interest component of which is compounded semiannually to maturity as shown in the table of Accreted Values for such Bonds in the Official Statement.

(g) **“Code”** means the Internal Revenue Code of 1986, as the same may be amended from time to time. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

(h) **“Continuing Disclosure Certificate”** means that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of

the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

(i) **“Conversion Date”** means, with respect to Convertible Capital Appreciation Bonds, the date from which such Bonds bear current interest.

(j) **“Conversion Value”** means, with respect to Convertible Capital Appreciation Bonds, the Accreted Value as of the Conversion Date.

(k) **“Convertible Capital Appreciation Bonds”** means the Bonds the interest component of which is compounded semiannually to the respective Conversion Dates thereof as shown in the table of Accreted Values for such Bonds in the Official Statement, and which bear interest from such respective Conversion Dates on the Conversion Value thereof, payable semiannually on each Bond Payment Date, all as set forth in the Purchase Contract.

(l) **“Current Interest Bonds”** means the Bonds the interest on which is payable semiannually on each Bond Payment Date specified for each such Bond as designated and maturing in the years and in the amounts set forth in the Purchase Contract.

(m) **“Director of Finance”** means the Director of Finance of Santa Clara County.

(n) **“Denominational Amount”** means, with respect to the Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, the initial principal amounts thereof, and, with respect to the Current Interest Bonds, the principal amounts thereof.

(o) **“Depository”** means the entity acting as security depository for the Bonds pursuant to Section 5(c) hereof.

(p) **“DTC”** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as Depository for the Bonds.

(q) **“Fair Market Value”** means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

(r) **“Information Services”** means Financial Information, Inc.’s Financial Daily Called Bond Service; Mergent, Inc., Called Bond Department; or Standard & Poor’s J. J. Kenny Information Services Called Bond Service.

(s) **“Maturity Value”** means the Accreted Value of any Capital Appreciation Bond on its maturity date.

(t) **“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 5(c) hereof.

(u) **“Non-AMT Bonds”** means obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103(a) of the Code and not treated as an item of tax preference under Section 57(a)(5)(C) of the Code, that are legal investments pursuant to Section 53601 of the Government Code of the State of California.

(v) **“Official Statement”** means the Official Statement for the Bonds, as described in Section 16 hereof.

(w) **“Outstanding”** means, when used with reference to the Bonds, as of any date, Bonds theretofore issued or thereupon being issued under this resolution except:

(i) Bonds canceled at or prior to such date;

(ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 7 hereof; or

(iii) Bonds for the payment or redemption of which funds or Federal Securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 19 of this Resolution.

(x) **“Owner”** means the registered owner of a Bond as set forth on the registration books maintained by the Paying Agent pursuant to Section 7 hereof.

(y) **“Participants”** means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

(z) **“Paying Agent”** means U.S. Bank National Association, or any successor thereto, acting in the capacity of paying agent, bond registrar, authenticating agent and transfer agent.

(aa) **“Permitted Investments”** means (i) any lawful investments permitted by Section 16429.1 and Section 53601 of the Government Code, including Non-AMT Bonds and Qualified Non-AMT Mutual Funds, (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, but without regard to any limitations in such Section concerning the percentage of moneys available for investment being invested in a particular type of security, (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the California State

Treasurer, (v) the county investment pool maintained by the Director of Finance, and (vi) State and Local Government Series Securities.

(bb) **“Principal”** or **“Principal Amount”** means, with respect to any Current Interest Bond, the principal amount thereof and, with respect to any Capital Appreciation Bond or Convertible Capital Appreciation Bonds, the Denominational Amount thereof.

(cc) **“Qualified Non-AMT Mutual Fund”** means stock in a regulated investment company to the extent that at least 95% of the income of such regulated investment company is interest that is excludable from gross income under Section 103 of the Code and not an item of tax preference under Section 57(a)(5)(C) of the Code.

(dd) **“Qualified Permitted Investments”** means (i) Non-AMT Bonds, (ii) Qualified Non-AMT Mutual Funds, (iii) other Permitted Investments authorized by an opinion of Bond Counsel to the effect that such investment would not adversely affect the tax-exempt status of the Bonds, and (iv) Permitted Investments of proceeds of the Bonds, and interest earned on such proceeds, held not more than thirty days pending reinvestment or Bond redemption. A guaranteed investment contract or similar investment agreement (e.g. a forward supply contract, GIC, repo, etc.) does not constitute a Qualified Permitted Investment.

(ee) **“Rating Agencies”** means Standard & Poor’s Rating Services and Moody’s Investors Service.

(ff) **“Record Date”** means the close of business on the fifteenth day of the month preceding each Bond Payment Date.

(gg) **“Securities Depository”** means The Depository Trust Company, 55 Water Street, New York, New York 10041, Tel: (212) 855-1000 or Fax: (212) 855-7320.

(hh) **“Taxable Bonds”** means any Bonds not issued as Tax-Exempt Bonds.

(ii) **“Tax-Exempt Bonds”** means any Bonds the interest in which is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax, as further described in an opinion of Bond Counsel supplied to the original purchasers of such Bonds.

(jj) **“Term Bonds”** means those Bonds for which mandatory redemption dates have been established in the Purchase Contract.

(kk) **“Transfer Amount”** means, (i) with respect to any Outstanding Current Interest Bond, the Principal Amount, (ii) with respect to any Outstanding Capital Appreciation Bond, the Maturity Value, and (iii) with respect to any Outstanding Convertible Capital Appreciation Bond, the Conversion Value.

SECTION 5. Terms of the Bonds.

(a) Denomination, Interest, Dated Dates. The Bonds shall be issued as Bonds registered as to both principal and interest, in the following denominations: (i) with respect to the Current Interest Bonds, \$5,000 Principal Amount or any integral multiple thereof, (ii) with respect to the Capital Appreciation Bonds, \$5,000 Maturity Value, or any integral multiple thereof (except for one odd

denomination, if necessary), and (iii) with respect to Convertible Capital Appreciation Bonds, \$5,000 Conversion Value or any integral multiple thereof. The Bonds shall bear or accrete interest at a rate or rates such that the interest rate shall not exceed that permitted by law.

Each Current Interest Bond shall be dated the date of delivery thereof or such other date as shall appear in the Purchase Contract or Official Statement (the "Dated Date"), and shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from its Dated Date. Interest shall be payable on the respective Bond Payment Dates and shall be calculated on the basis of a 360-day year of twelve 30-day months.

The Capital Appreciation Bonds shall mature in the years, shall be issued in aggregate Principal Amounts, shall have Accretion Rates and shall have denominational amounts per each \$5,000 in Maturity Value as shown in the Accreted Value Table attached to the Official Statement or Purchase Contract. The Convertible Capital Appreciation Bonds shall mature in the years, shall be issued in the aggregate Principal Amounts, shall have Accretion Rates and shall have denominational amounts per each \$5,000 in Conversion Value as shown in such Accreted Value Table. Notwithstanding the preceding provisions of this paragraph, in the event that the amount shown in the Accreted Value Table and the Accreted Value caused to be calculated by the District and approved by the Bond Insurer, if any, by application of the definition of Accreted Value set forth in Section 4 differ, the latter amount shall be the Accreted Value of such Capital Appreciation Bond or Convertible Capital Appreciation Bond, as applicable.

Before its Conversion Date, each Convertible Capital Appreciation Bond shall not bear current interest but will accrete in value through the Conversion Date thereof, from its Denominational Amount on the date of delivery thereof, to its Conversion Value on the applicable Conversion Date. From and after its Conversion Date, each Convertible Capital Appreciation Bond will bear current interest, and such interest will accrue based upon the Conversion Value of such Bonds at the Conversion Date. No payment will be made to the Owners of Convertible Capital Appreciation Bonds on the respective Conversion Dates thereof.

(b) Redemption.

(i) Optional Redemption. The Bonds shall be subject to optional redemption prior to their stated maturity dates as provided in the Purchase Contract.

(ii) Mandatory Redemption. Any Bonds sold as Term Bonds shall be subject to mandatory sinking fund redemption prior to maturity as provided in the Purchase Contract or the Official Statement.

In the event that a portion of any Term Bond is optionally redeemed pursuant to Section 5(b)(i) hereof, the remaining mandatory sinking fund payments shall be reduced proportionately, in integral multiples of \$5,000 (of Principal, Maturity Value, or Conversion Value, as applicable), in respect of the portion of such Term Bond optionally redeemed, or as otherwise directed by the District.

(iii) Selection of Bonds for Redemption. Whenever provision is made in this Resolution for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed

and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that (A) the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof, (B) the portion of any Capital Appreciation Bond to be redeemed in part shall be in integral multiples of the Accreted Value per \$5,000 Maturity Value thereof and (C) the portion of any Convertible Capital Appreciation Bond to be redeemed in part shall be in integral multiples of the Accreted Value per \$5,000 Conversion Value thereof.

(iv) Notice of Redemption. When redemption is authorized or required pursuant to Section 5(b) hereof, the Paying Agent, upon written instruction from the District, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount or Accreted Value of such Bond to be redeemed, and (g) the original issue date, interest rate or Accretion Rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue or accrete.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(a) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register (defined herein).

(b) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories.

(c) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

With respect to any notice of redemption of Bonds pursuant to Section 5(b)(i) hereof, unless upon the giving of such notice such Bonds shall be deemed to have been defeased pursuant to Section 18 hereof, such notice shall state that such redemption shall be conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District) on or prior to the date

fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received.

(v) Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

(vi) Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in Section 5(b) hereof, together with interest accrued to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue or accrete and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 5(b) shall be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent.

(vii) Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Current Interest Bonds, accrued interest with respect thereto to the date fixed for redemption, all as provided in this Resolution, then such Bonds shall no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

(c) Book-Entry System.

(i) Election of Book-Entry System. The Bonds shall initially be delivered in the form of a separate single fully-registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination (except for any odd denomination Bond). The ownership of each such Bond shall be registered in the Bond Register (as defined below) in the name of the Nominee, as nominee of the Depository and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 5(c)(i)(4).

With respect to book-entry Bonds, the District and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be prepaid in the event the District redeems the Bonds in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to Accreted Value, Principal, premium, if any, or interest on the book-entry Bonds. The District and the Paying Agent may treat and consider the person in whose name each book-entry Bond is registered in the Bond Register as the absolute owner of such book-entry Bond for the purpose of payment of Accreted Value or Principal of and premium and interest on and to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all Accreted Value or Principal of and premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of Accreted Value or Principal of, and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificate evidencing the obligation to make payments of Accreted Value or Principal of, and premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Owner and the Paying Agent, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to the Record Date, the word Nominee in this Resolution shall refer to such nominee of the Depository.

1. Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the District and the Paying Agent shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Paying Agent any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Bond Register. By executing a Letter of Representations, the Paying Agent shall agree to take all action necessary at all times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Paying Agent shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify book-entry Bonds for the Depository's book-entry program.

2. Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Bonds, or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the District, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered bond for each maturity date of such book-entry Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (4) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond Register in the name of the Nominee, but shall be registered in whatever name or names the owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of this Section 5(c).

3. Payments to Depository. Notwithstanding any other provision of this Resolution to the contrary, so long as all outstanding Bonds are held in book-entry and registered in the name of the Nominee, all payments by the District or the Bond Register with respect to Accreted Value or Principal of and premium, if any, or interest on the Bonds and all notices with respect to such Bonds shall be made and given, respectively to the Nominees, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Paying Agent notwithstanding any inconsistent provisions herein.

4. Transfer of Bonds to Substitute Depository.

(A) The Bonds shall be initially issued as described in the Official Statement described herein. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(1) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to Section 5(c)(i)(4)(A)(2) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(B) In the case of any transfer pursuant to Section 5(c)(i)(4)(A)(1) or (2), upon receipt of all outstanding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent designating the Substitute Depository, a single new Bond, which the District shall prepare or cause to be prepared, shall be executed and delivered for each

maturity of Bonds then outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to Section 5(c)(i)(4)(A)(3), upon receipt of all outstanding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent, new Bonds, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, provided that the Paying Agent shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(C) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the Conversion Value, Maturity Value or Principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in Conversion Value, Maturity Value or Principal, in form acceptable to the Paying Agent, all in accordance with the Letter of Representations. The Paying Agent shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(D) The District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of this Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the District; and the District and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Paying Agent may rely conclusively on its records as to the identity of the owners of the Bonds.

SECTION 6. Execution of Bonds. The Bonds shall be signed by the President of the Board of Trustees by manual or facsimile signature and countersigned by the manual or facsimile signature of either the Secretary to the Board or the Clerk of the Board, all in their official capacities. No Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

SECTION 7. Paying Agent; Transfer and Exchange. So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in this Section (the "Bond Register"). Subject to the provisions of Section 8 below, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond for all purposes of this Resolution. Payment of or on account of the Principal or Accreted Value of and premium, if any, and interest on any Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds, Convertible Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like series, tenor and Transfer Amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and indemnity for the Paying Agent and the District satisfactory to the Paying Agent shall be given by the Owner, the District, at the expense of the Bond owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Paying Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Paying Agent and the District). The Paying Agent may require payment of a reasonable fee for each new Bond issued under this paragraph and of the expenses which may be incurred by the District and the Paying Agent.

If manual signatures on behalf of the District are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Bonds only after the new Bonds are signed by the authorized officers of the District. In all cases of exchanged or transferred Bonds, the District shall sign and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under this Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall be made to the District by the Paying Agent upon a request of the District. The cancelled Bonds shall be retained for six years, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption

is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

SECTION 8. Payment. Payment of interest on any Current Interest Bond or Convertible Capital Appreciation Bond after the Conversion Date, on any Bond Payment Date, shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount, Conversion Value or Maturity Value of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption price, if any, payable on the Current Interest Bonds, the Accreted Value and redemption price, if any, on the Capital Appreciation Bonds or Convertible Capital Appreciation Bonds shall be payable upon maturity or redemption upon surrender at the designated office of the Paying Agent. The interest, Accreted Value, Principal and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes levied on property subject to taxation by the District.

SECTION 9. Form of Bonds. The Bonds shall be in substantially the following form, allowing those officials executing the Bonds to make the insertions and deletions necessary to conform the Bonds to this Resolution, the Purchase Contract and the Official Statement and to correct any defect or inconsistent provision therein or to cure any ambiguity or omission therein.

[REMAINDER OF PAGE LEFT BLANK]

(Form of Current Interest Bond)

REGISTERED
NO.

REGISTERED
\$

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
ELECTION OF 2006 GENERAL OBLIGATION BONDS, SERIES C

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>DATED AS OF:</u>	<u>CUSIP</u>
___% per annum	August 1, 20__	_____, 2011	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Foothill-De Anza Community College District (the "District") in Santa Clara County, California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing February 1, 2012. Interest on this Bond shall be computed on the basis of a 360-day year of twelve 30-day months. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2012 in which event it shall bear interest from its Dated Date. Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially U.S. Bank National Association. Principal is payable upon presentation and surrender of this bond at the designated office of the Paying Agent. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). The Owner of Current Interest Bonds in the aggregate principal amount of One Million Dollars (\$1,000,000) or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

This bond is one of an issue of \$_____ of bonds approved to raise money for the purposes authorized by voters of the District at the Election, defined below; and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent or more vote of the qualified electors of the District cast at a special election held on June 6, 2006 (the "Election"), upon the question of issuing bonds in the amount of \$490,800,000 and the resolution of the Board of Trustees of the District adopted on May 2, 2011 (the "Bond Resolution"). This bond is being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in

The bonds of this issue comprise (i) \$_____ Principal amount of Current Interest Bonds, of which this bond is a part (each, a “Current Interest Bond”), (ii) Capital Appreciation Bonds of which \$_____ represents the Denominational Amount and \$_____ represents the Maturity Value, and (iii) Convertible Capital Appreciation Bonds, of which \$_____ represents the Denominational Amount and \$_____ represents the Conversion Value.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

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

In the event that a portion of the Current Interest Bonds maturing on August 1, 20__ is optionally redeemed, the remaining mandatory sinking fund payments shall be reduced

proportionately, in integral multiples of \$5,000 Principal Amount in respect of the portion of such Term Bond optionally redeemed, or as otherwise directed by the District.

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the Paying Agent in such manner as the Paying Agent in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof. If less than all of the bonds stated to mature on different dates shall be called for redemption, the particular bonds or portions thereof to be redeemed shall be called in any order of maturity selected by the District or, if not so selected, in the inverse order of maturity.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Foothill-De Anza Community College District, Santa Clara County, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the President of the Board of Trustees, and to be countersigned by the manual or facsimile signature of the Secretary to the Board of Trustees, all as of the date stated above.

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By: _____ (Facsimile Signature)
President of the Board of Trustees

COUNTERSIGNED:

(Facsimile Signature)
Secretary to the Board of Trustees

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying
Agent

By: _____
Authorized Representative

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and zip code of Transferee): _____
this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with the issuance of, and dated as of the date of the original delivery of, the bonds. A signed copy is on file in my office.

(Facsimile Signature)
Secretary to the Board of Trustees

(Form of Legal Opinion)

(Form of Capital Appreciation Bond)

REGISTERED
NO.

REGISTERED
\$

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
ELECTION OF 2006 GENERAL OBLIGATION BONDS, SERIES C

ACCRETION RATE: MATURITY DATE: DATED AS OF: CUSIP
August 1, 20__ _____, 2011

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT:

MATURITY VALUE:

The Foothill-De Anza Community College District (the "District") in Santa Clara County, California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above, such Maturity Value comprising the Denominational Amount and interest accreted thereon. This bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing on August 1, 2011 at the Accretion Rate specified above to the Maturity Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Initial Principal Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. Accreted Value and redemption premium, if any, are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially U.S. Bank National Association. Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the designated office of the Paying Agent.

This bond is one of an issue of \$_____ of bonds approved to raise money for the purposes authorized by voters of the District at the Election, defined below; and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent or more vote of the qualified electors of the District cast at a special election held on June 6, 2006 (the "Election"), upon the question of issuing bonds in the amount of \$490,800,000 and the resolution of the Board of Trustees of the District adopted on May 2, 2011 (the "Bond Resolution"). This bond is being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Sections 15250 and 15252.

The bonds of this issue comprise (i) \$_____ Principal amount of Current Interest Bonds, (ii) Capital Appreciation Bonds, of which this bond is a part (each a "Capital Appreciation

Bond”) of which \$_____ represents the Denominational Amount and \$_____ represents the Maturity Value, and (iii) Convertible Capital Appreciation Bonds, of which \$_____ represents the Denominational Amount and \$_____ represents the Conversion Value.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the designated office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

[The Capital Appreciation Bonds are not subject to redemption prior to their stated maturities.]

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Capital Appreciation Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Foothill-De Anza Community College District, Santa Clara County, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the President of the Board of Trustees, and to be countersigned by the manual or facsimile signature of the Secretary to the Board of Trustees, all as of the date stated above.

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By: (Facsimile Signature)
President of the Board of Trustees

COUNTERSIGNED:

(Facsimile Signature)
Secretary to the Board of Trustees

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying
Agent

By: _____
Authorized Representative

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and ZIP code of Transferee): _____ this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or by any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the bonds. A signed copy is on file in my office.

(Facsimile Signature)
Secretary to the Board of Trustees

(Form of Legal Opinion)

(Form of Convertible Capital Appreciation Bond)

REGISTERED
NO.

REGISTERED
\$

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
ELECTION OF 2006 GENERAL OBLIGATION BONDS, SERIES C

ACCRETION RATE TO <u>CONVERSION DATE</u>	<u>CONVERSION DATE</u>	INTEREST RATE AFTER THE <u>CONVERSION DATE</u>	MATURITY <u>DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP</u>
_____	_____, 20__	_____	_____, 20__	_____, 2011	

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT:

CONVERSION VALUE :

The Foothill-De Anza Community College District (the "District") in Santa Clara County, California (the "County") for value received, promises to pay to the Registered Owner named above, or registered assigns, the Conversion Value (such Conversion Value comprising the initial Denominational Amount and interest accreted thereon to the Conversion Date) on the Maturity Date, each as stated above, and interest thereon until the Conversion Value is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing _____, 20__. Prior to the Conversion Date, this bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing on August 1, 2011 at the Accretion Rate specified above to the Conversion Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Denomination Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before _____ 15, 20__, in which event it will bear interest from the Conversion Date. Conversion Value and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register maintained by the Paying Agent, initially U.S. Bank National Association. Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

This bond is one of an issue of \$_____ of bonds approved to raise money for the purposes authorized by voters of the District at the Election, defined below; and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent or more vote of the qualified electors of the District cast at a special election held on June 6, 2006 (the "Election"), upon the question of issuing bonds in the amount of \$490,800,000 and the resolution of the Board of

Trustees of the District adopted on May 2, 2011 (the "Bond Resolution"). This bond is being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Sections 15250 and 15252.

The bonds of this issue comprise (i) \$_____ Principal amount of Current Interest Bonds, (ii) Capital Appreciation Bonds, of which \$_____ represents the Denominational Amount and \$_____ represents the Maturity Value, and (iii) Convertible Capital Appreciation Bonds, of which this bond is a part (each a "Convertible Capital Appreciation Bond") of which \$_____ represents the Denominational Amount and \$_____ represents the Conversion Value.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the designated office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

The Convertible Capital Appreciation Bonds may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part on August 1, 20__ or on any date thereafter, at a redemption price equal to 100% of the Conversion Value thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

The Convertible Capital Appreciation Term Bonds are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each of the years shown below, at a redemption price equal to the Conversion Value thereof, together with accrued interest thereon to the date fixed for redemption, without premium. The Conversion Value represented by such Convertible Capital Appreciation Term Bonds to be so redeemed and the dates therefor and the final mandatory sinking fund payment date are as indicated in the following table:

Redemption Date (August 1)	Conversion Value
-------------------------------	------------------

In the event that a portion of the Convertible Capital Appreciation Term Bonds maturing on August 1, 20__ is optionally redeemed, the remaining mandatory sinking fund payments shall be reduced proportionately, in integral multiples of \$5,000 of Conversion Value, in respect of the portion of such Term Bond optionally redeemed, or as otherwise directed by the District.

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the Paying Agent in such manner as the Paying Agent in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the Conversion Value of \$5,000 or some integral multiple thereof. If less than all of the bonds stated to mature on different dates shall be called for redemption, the particular bonds or portions thereof to be redeemed shall be called in any order of maturity selected by the District or, if not so selected, in the inverse order of maturity.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Foothill-De Anza Community College District, Santa Clara County, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the President of the Board of Trustees, and to be countersigned by the manual or facsimile signature of the Secretary to the Board of Trustees, all as of the date stated above.

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By: (Facsimile Signature)
President of the Board of Trustees

COUNTERSIGNED:

(Facsimile Signature)
Secretary to the Board of Trustees

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying
Agent

By: _____
Authorized Representative

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and ZIP code of Transferee): _____
this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or by any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the bonds. A signed copy is on file in my office.

(Facsimile Signature)
Secretary to the Board of Trustees

(Form of Legal Opinion)

SECTION 10. Delivery of Bonds. The proper officials of the District shall cause the Bonds to be prepared and, following their sale, shall have the Bonds signed and delivered, together with a true transcript of proceedings with reference to the issuance of the Bonds, to the original purchaser upon payment of the purchase price therefor.

SECTION 11. Deposit of Proceeds of Bonds. (a) The purchase price received from the Underwriter pursuant to the Purchase Contract, to the extent of the Denominational Amount and the Principal Amount thereof, shall be paid to the County to the credit of the fund hereby created and established and to be known as the "Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C Building Fund" (the "Building Fund") of the District, shall be kept separate and distinct from all other District and County funds, and those proceeds shall be used solely for the purposes for which the Bonds are being issued. At the discretion of the District, the Building Fund may be split into more than one fund or contain subaccounts if the Bonds are issued in more than one series. The purchase price received from the Underwriter pursuant to the Purchase Contract, to the extent of any accrued interest and any original issue premium, shall be kept separate and apart in the fund hereby created and established and to be designated as the "Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C Debt Service Fund" (the "Debt Service Fund") for the Bonds and used only for payment of Accreted Value or Principal of and interest on the Bonds. At the discretion of the District, the Debt Service Fund may be split into more than one fund or contain subaccounts if the Bonds are issued in more than one series. Interest earnings on moneys held in the Building Fund shall be retained in the Building Fund. Interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of Accreted Value or Principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District. Costs associated with the issuance of the Bonds may be paid by the Underwriter pursuant to the Purchase Contract, or may be paid by the District from moneys deposited in the Building Fund. Notwithstanding any other provision of this Resolution, to the extent the District elects to pay costs associated with the issuance of the Bonds, the Authorized Officers, each alone, may direct the deposit of a portion of the proceeds of the Bonds not exceeding two percent of the aggregate Principal and Denominational Amount of the Bonds in a costs of issuance account to be held by a fiscal agent of the District appointed for such purpose by such Authorized Officer.

(b) Moneys in the Debt Service Fund and the Building Fund shall be invested at the written direction of the District, and after consultation with the County, in Permitted Investments. If at the time of issuance the District determines to issue some or all of the Bonds as Tax-Exempt Bonds without regard to the Internal Revenue Code "temporary period" restrictions, all investment of the proceeds of such Bonds shall be subject to paragraph (1) below; and the District, in consultation with the County, may provide for an agent to assist the District in investing funds pursuant to paragraph (1) below. If the District fails to direct such agent, the agent shall invest or cause the funds in the Building Fund to be invested in Qualified Permitted Investments, subject to the provisions of paragraph (1) below, until such time as the District provides written direction to invest such funds otherwise. Neither the County nor its officers and agents, as the case may be, shall have any responsibility or obligation to determine the tax consequences of any investment. The interest earned on the moneys deposited to the Building Fund shall be applied as set forth in subsection (c) below:

(1) Covenant Regarding Investment of Proceeds.

(A) Permitted Investments. Beginning on the delivery date, and at all times until expenditure for authorized purposes, not less than 95% of the proceeds of the Bonds deposited in the Building Fund, including investment earnings thereon, will be invested in Qualified Permitted Investments which are rated in at least the second highest rating category by one of the two Rating Agencies. Notwithstanding the preceding provisions of this Section, for purposes of this paragraph, amounts derived from the disposition or redemption of Qualified Permitted Investments and held pending reinvestment or redemption for a period of not more than 30 days may be invested in Permitted Investments. The District hereby authorizes investments made pursuant to this Resolution with maturities exceeding five years.

(B) Recordkeeping and Monitoring Relating to Building Fund.

i. Information Regarding Permitted Investments. The District hereby covenants that it will record or cause to be recorded with respect to each Permitted Investment in the Building Fund the following information: purchase date; purchase price; information establishing the Fair Market Value of such Permitted Investment; face amount; coupon rate; periodicity of interest payments; disposition price; disposition date; and any accrued interest received upon disposition.

ii. Information in Qualified Non-AMT Mutual Funds. The District hereby covenants that, with respect to each investment of proceeds of the Bonds in a Qualified Non-AMT Mutual Fund pursuant to paragraph (1)(A) above, in addition to recording, or causing to be recorded, the information set forth in paragraph (1)(B)(i) above, it will retain a copy of each IRS information reporting form and account statement provided by such Qualified Non-AMT Mutual Fund.

iii. Monthly Investment Fund Statements. The District covenants that it will obtain, at the beginning of each month following the delivery date, a statement of the investments in the Building Fund detailing the nature, amount and value of each investment as of such statement date.

iv. Retention of Records. The District hereby covenants that it will retain the records referred to in paragraph (1)(B)(i) and each IRS information reporting form referred to in paragraph (1)(B)(ii) with its books and records with respect to the Bonds until six years following the last date that any obligation comprising the Bonds is retired.

(c) Interest Earned on Permitted Investments. The interest earned on the moneys deposited in the Building Fund shall be deposited in the Building Fund and used for the purposes of that fund.

Except as required below to satisfy the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the County to pay the Accreted Value or Principal of and interest on the Bonds when due.

SECTION 12. Rebate Fund. The following provisions shall apply to any Bonds issued as Tax-Exempt Bonds.

(a) The District shall create and establish a special fund designated the “Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code, and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien hereunder and shall be governed by this Section and by the Tax Certificate to be executed by the District.

(b) Within forty-five (45) days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), (1) the District shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (2) the District shall deposit to the Rebate Fund from amounts on deposit in the other funds established hereunder or from other District funds, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated. The District shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence, if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section. The District shall not be required to calculate the “rebate amount” and shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a one and one-half percent (1½%) penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the District shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Any funds remaining in the Rebate Fund after redemption of all the Bonds and any amounts described in paragraph (2) of subsection (d) of this Section, or provision made therefor satisfactory to the District, including accrued interest, shall be remitted to the District.

(d) Subject to the exceptions contained in subsection (b) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the District shall pay to the United States, from amounts on deposit in the Rebate Fund,

- (1) not later than sixty (60) days after the end of (i) the fifth (5th) Bond Year, and
- (ii) each fifth (5th) Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than sixty (60) days after the payment of all Bonds, an amount equal to one hundred percent (100%) of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate (or have calculated) the amount of such deficiency and deposit an amount equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Each payment required to be made pursuant to subsection (d) of this Section shall be made to the Internal Revenue Service Center on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, such form to be prepared or caused to be prepared by the District.

(g) In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection, the District may withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) The District shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

(i) Notwithstanding anything in this Resolution to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

SECTION 13. Security for the Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Bonds are outstanding in an amount sufficient to pay the principal and Accreted Value of and interest on the Bonds when due, which moneys when collected will be placed in the Debt Service Fund of the District, which fund is irrevocably pledged for the payment of the principal and Accreted Value of and interest on the Bonds when and as the same fall due.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Accreted Value of and interest on the Bonds as the same become due and payable, shall be transferred by the Director of Finance, as Paying Agent, to DTC to pay the principal and Accreted Value of and interest on the Bonds. DTC will thereupon make payments of principal and Accreted Value and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and Accreted Value and interest to the beneficial owners of the Bonds. Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, pursuant to the Education Code Section 15234.

SECTION 14. Arbitrage Covenant. The District covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code and the applicable regulations prescribed under that Section or any predecessor section.

SECTION 15. Legislative Determinations. The Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the

issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds

SECTION 16. Official Statement. The Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Secretary to the Board is hereby approved and the Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to the Underwriter to be used in connection with the offering and sale of the Bonds. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement “final” pursuant to 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Bonds. Execution of the Official Statement shall conclusively evidence the District’s approval thereof.

SECTION 17. Insurance. In the event the District purchases bond insurance for all or a portion of the Bonds, and to the extent that the Bond Insurer makes payment of the principal, interest or Accreted Interest on the Bonds, it shall become the owner of such Bonds with the right to payment of principal, interest or Accreted Interest on the Bonds, and shall be fully subrogated to all of the Owners’ rights, including the Owners’ rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims that were past due interest components, the Paying Agent shall note the Bond Insurer’s rights as subrogee on the registration books for the Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued by the Bond Insurer for the payment of such interest to the Owners of the Bonds, and (ii) in the case of subrogation as to claims for past due Principal or Accreted Value, the Paying Agent shall note the Bond Insurer as subrogee on the registration books for the Bonds maintained by the Paying Agent upon surrender of the Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond Insurer.

SECTION 18. Defeasance. All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(i) Cash: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all Principal, Accreted Value, interest and premium, if any; or

(ii) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance

(including all Principal or Accreted Value and interest represented thereby and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of this Section, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

For purposes of this Section, Government Obligations shall mean:

Direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service or Standard & Poor’s. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed “AAA” by Standard & Poor’s or “Aaa” by Moody’s Investors Service.

SECTION 19. Request to County to Levy Tax. The Board of Supervisors of the County and officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds. The District hereby requests such Board of Supervisors to annually levy a tax upon all taxable property in the District sufficient to redeem the Bonds, and to pay the principal, redemption premium, if any, and interest thereon as and when the same become due.

SECTION 20. Other Actions. (a) Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) The Board hereby appoints Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel and disclosure counsel to the District with respect to the issuance of the Bonds. The Board hereby appoints Morgan Stanley & Co. Incorporated as underwriter with respect to the issuance of the Bonds. The Board hereby appoints William Euphrat Municipal Finance, Inc. as financial advisor with respect to the issuance of the Bonds.

(c) Notwithstanding any other provision herein, the provisions of this Resolution may be amended by the Purchase Contract.

SECTION 21. Resolution to Director of Finance. The Secretary to this Board is hereby directed to provide a certified copy of this Resolution to Director of Finance of the County immediately following its adoption.

SECTION 22. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. Noncompliance with this Section shall not result in acceleration of the Bonds.

SECTION 23. Nonliability of County. Notwithstanding anything to the contrary contained herein, in the Bonds or in any other document mentioned herein, neither the County, nor its officials, officers, employees or agents shall have any liability hereunder or by reason hereof or in connection with the transactions contemplated hereby, the Bonds are not a debt of the County or a pledge of the County's full faith and credit, and the Bonds and any liability in connection therewith shall be paid solely from the moneys of the District.

SECTION 24. Indemnification of County. The District shall defend, indemnify and hold harmless the County, its officials, officers, agents and employees ("Indemnified Parties") against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject based in whole or in part upon any acts or omission related to the Bonds, except with regard to the County's responsibilities under Section 19 hereof. The District shall also reimburse the Indemnified Parties for any legal or other costs and expenses incurred in connection with investigating or defending any such claims or liabilities.

SECTION 25. Reimbursement of County Costs. The District shall reimburse the County for all costs and expenses incurred by the County, its officials, officers, agents and employees in issuing or otherwise in connection with the Bonds.

SECTION 26. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 2nd day of May, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

BOARD OF TRUSTEES OF THE FOOTHILL-
DE ANZA COMMUNITY COLLEGE
DISTRICT

President, Board of Trustees

Attest:

Secretary to the Board of Trustees

SECRETARY'S CERTIFICATE

I, _____, Secretary to the Board of Trustees of the Foothill-De Anza Community College District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly and legally held at the regular meeting place thereof on May 2, 2011, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: May 2, 2011

Secretary to the Board of Trustees

NEW ISSUE—FULL BOOK-ENTRYRATINGS: Moody's: "___"; S&P: "___"
See "MISCELLANEOUS – Ratings."

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

\$ _____ *

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
Election of 2006 General Obligation Bonds, Series C

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

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

The Foothill-De Anza Community College District (Santa Clara County, California) Election of 2006 General Obligation Bonds, Series C (the "Bonds") were authorized at an election of the registered voters of the Foothill-De Anza Community College District (the "District") held on June 6, 2006 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$490,800,000 principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are being issued to finance the acquisition, construction, modernization and renovation of certain District facilities approved by the District's registered voters and to pay the costs of issuance associated with the Bonds.

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Santa Clara County is empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and interest on and Maturity Value of the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers will not receive certificates representing their interest in the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest with respect to the Current Interest Bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. The Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of \$5,000 maturity value or any integral multiple thereof.

Payments of principal and interest on and Maturity Value of the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX E – Book-Entry Only System."

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity dates as described herein.

MATURITY SCHEDULE*
(See inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed upon for the Underwriters by Fulbright & Jaworski LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June __, 2011.

MORGAN STANLEY

Dated: May __, 2011

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$ _____.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
Election of 2006 General Obligation Bonds, Series C

Base CUSIP[†]: _____

\$ _____ Current Interest Serial Bonds

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

\$ _____ Current Interest Term Bonds due August 1, 20__ – Yield ____% - CUSIP[†] _____

\$ _____ Capital Appreciation Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>Maturity</u> <u>Value</u>	<u>CUSIP</u> [†]
--------------------------------------	--	---------------------------------	-----------------------------------	---------------------------------	---------------------------

· Preliminary, subject to change.

[†] CUSIP Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP service bureau, a division of The McGraw Hill Companies.

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

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

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement.

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

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

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

Board of Trustees

Pearl Cheng, President
Joan Barram, Vice President
Betsy Bechtel, Member
Laura Casas Frier, Member
Bruce Swenson, Member

District Administration

Dr. Linda M. Thor, Chancellor
Kevin McElroy, Vice Chancellor, Business Services
Bernata Slater, Director, Budget Operations
Hector Quiñonez, Controller

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

William Euphrat Municipal Finance, Inc.
San Francisco, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
San Francisco, California

TABLE OF CONTENTS

Page

INTRODUCTION	1
THE DISTRICT	1
PURPOSE OF THE BONDS	1
AUTHORITY FOR ISSUANCE OF THE BONDS	1
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	2
DESCRIPTION OF THE BONDS	2
TAX MATTERS	3
OFFERING AND DELIVERY OF THE BONDS	3
PAYING AGENT	3
BONDOWNER'S RISKS	3
CONTINUING DISCLOSURE	3
FORWARD LOOKING STATEMENTS	4
PROFESSIONALS INVOLVED IN THE OFFERING	4
OTHER INFORMATION	4
THE BONDS	5
AUTHORITY FOR ISSUANCE	5
SECURITY AND SOURCES OF PAYMENT	5
GENERAL PROVISIONS	6
ANNUAL DEBT SERVICE	8
APPLICATION AND INVESTMENT OF BOND PROCEEDS	9
REDEMPTION	9
TRANSFER AND EXCHANGE	11
DEFEASANCE	12
ESTIMATED SOURCES AND USES OF FUNDS	13
SANTA CLARA COUNTY INVESTMENT POOL	13
TAX BASE FOR REPAYMENT OF BONDS	15
<i>AD VALOREM</i> PROPERTY TAXATION	15
ASSESSED VALUATIONS	16
ASSESSED VALUATION AND PARCELS BY LAND USE	17
ALTERNATIVE METHOD OF TAX APPORTIONMENT - "TEETER PLAN"	18
PRINCIPAL TAXPAYERS	19
TAX RATES	20
STATEMENT OF DIRECT AND OVERLAPPING DEBT	20
FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA	22
MAJOR REVENUES	22
TAX SHIFTS AND TRIPLE FLIP	23
BUDGET PROCEDURES	23
MINIMUM FUNDING GUARANTEES FOR CALIFORNIA COMMUNITY COLLEGE DISTRICTS UNDER PROPOSITIONS 98 AND 111	25
STATE ASSISTANCE	26

TABLE OF CONTENTS (cont'd)

Page

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS	32
ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION	32
LEGISLATION IMPLEMENTING ARTICLE XIII A	33
UNITARY PROPERTY	33
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION	34
ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION	34
PROPOSITION 26	35
PROPOSITION 98	35
PROPOSITION 111	36
PROPOSITION 39	37
PROPOSITION 1 A AND PROPOSITION 22	38
STATE CASH MANAGEMENT LEGISLATION	38
FUTURE INITIATIVES	39
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT	40
INTRODUCTION	40
ADMINISTRATION	40
ENROLLMENT	41
LABOR RELATIONS	41
RETIREMENT PROGRAMS	42
OTHER POST-EMPLOYMENT BENEFITS	42
INSURANCE	42
ACCOUNTING PRACTICES	42
COMPARATIVE FINANCIAL STATEMENTS	43
DISTRICT DEBT STRUCTURE	45
TAX MATTERS	48
LEGAL MATTERS	49
LEGALITY FOR INVESTMENT IN CALIFORNIA	49
CONTINUING DISCLOSURE	50
NO LITIGATION	50
INFORMATION REPORTING REQUIREMENTS	50
LEGAL OPINION	50
MISCELLANEOUS	50
RATINGS	50
FINANCIAL STATEMENTS	51
UNDERWRITING	51
ADDITIONAL INFORMATION	51
APPENDIX A: FORM OF OPINION OF BOND COUNSEL	A-1
APPENDIX B: EXCERPTS FROM THE DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS	B-1
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE	C-1
APPENDIX D: ECONOMIC PROFILE OF SANTA CLARA COUNTY	D-1
APPENDIX E: BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F: TABLE OF ACCRETED VALUES	F-1

§ _____.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
Election of 2006 General Obligation Bonds, Series C

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Foothill-De Anza Community College District (Santa Clara County, California) Election of 2006 General Obligation Bonds, Series C (the “Bonds”).

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

The District

The Foothill-De Anza Community College District (the “District”) was established on January 15, 1957 and encompasses an approximately 105 square mile area in Santa Clara County (the “County”). The District is located in the Los Altos Hills, in the heart of the Silicon Valley, and serves local communities in Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Sunnyvale and portions of San Jose. The District operates two community colleges, Foothill College and De Anza College, which provide collegiate-level instruction across a wide spectrum of subjects for associates degrees, career and technical training, and transfer to four-year institutions. The District’s projected full time equivalent enrollment for fiscal year 2010-11 is 34,484. The District has a 2010-11 total assessed valuation of \$91,313,000,200.

The District is governed by a five-member Board of Trustees (the “Board of Trustees”), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. The District’s administrative and financial staff includes a Chancellor and Vice Chancellor, Business Services. Dr. Linda M. Thor is the Chancellor of the District. See “FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT.”

Purpose of the Bonds

The proceeds from the sale of the Bonds will be used by the District to finance the acquisition, construction, modernization and renovation of certain District facilities approved by the District’s registered voters and to pay certain costs of issuance of the Bonds.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the Board of Trustees of the District. See “THE BONDS – Authority for Issuance.”

· Preliminary, subject to change.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of Santa Clara County (the “County”) is empowered and obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount, for the payment of principal and interest on and Maturity Value of the Bonds when due (except certain personal property which is taxable at limited rates). See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS.”

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. See “THE BONDS – General Provisions” and “APPENDIX E – Book-Entry Only System.” In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (defined herein).

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”). The Current Interest Bonds mature on August 1 in the years indicated on the inside cover page hereof.

The Capital Appreciation Bonds mature on August 1 in the years indicated on the inside cover page hereof, are payable only at maturity and will not pay interest on a current basis. The Maturity Value of a Capital Appreciation Bond is equal to its Accreted Value on the maturity date thereof. The accreted value (the “Accreted Value”) of any Capital Appreciation Bond is equal to the sum of its initial principal amount (the “Denominational Amount”) and the interest accruing thereon between the delivery date thereof and the date of calculation of such Accreted Value.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or Accreted Value, as applicable, or any integral multiple thereof.

Redemption. The Current Interest Bonds maturing on or after August 1, 20__* are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20__*, or on any date thereafter as a whole, or in part. The Current Interest Term Bonds maturing on August 1, 20__* are subject to mandatory sinking fund redemption as described herein. The Capital Appreciation Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Payments. Interest on the Current Interest Bonds accrues from the date of delivery of the Bonds (the “Date of Delivery”), is computed on the basis of a 360-day year of twelve 30-day months, and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing February 1, 2012. Principal on the Current Interest Bonds is payable in the amounts and years as set forth on the inside cover page hereof. The Capital Appreciation Bonds do not pay current interest. Each Capital Appreciation Bond accretes in value from its Denominational Amount on the Date of Delivery to its Maturity Value on the maturity thereof at the applicable Accretion Rate per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year

* Preliminary, subject to change.

commencing on August 1, 2011, and is payable only at maturity in the amounts and years as set forth set forth on the inside cover page hereof and in the table of accreted values as shown in APPENDIX F.

Payments of the principal of (or in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners (as defined in APPENDIX E) of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See “TAX MATTERS.”

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC in New York, New York on or about June __, 2011.

Paying Agent

Paying Agent means U.S. Bank National Association and its designated agents or his successors, or assigns, acting in the capacity of paying agent, registrar, authenticating agent and transfer agent.

Bondowner’s Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District’s financial condition and taxation of property within the District, see “TAX BASE FOR REPAYMENT OF BONDS.”

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate relating to disclosure of annual financial information and notices of certain events executed by the District as of the date of issuance and delivery of the Bonds, as it may be amended from time to time in accordance with the terms thereof. See “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX C – Form of Continuing Disclosure Certificate.”

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fulbright & Jaworski LLP, Los Angeles, California is acting as counsel to the Underwriters. William Euphrat Municipal Finance, Inc. is acting as financial advisor to the District with respect to the Bonds. U.S. Bank National Association, San Francisco, California, has been appointed as Paying Agent for the Bonds. Stradling Yocca Carlson & Rauth and William Euphrat Municipal Finance, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from Foothill-De Anza Community College District, 12345 El Monte Road, Los Altos Hills, California 94022, telephone: (650) 949-6100. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such documents, statutes and constitutional provisions.

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on May 2, 2011 (the "Resolution").

The District received authorization at an election held on June 6, 2006, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue not to exceed \$490,800,000 of general obligation bonds (the "Authorization"). On May 10, 2007, the District issued the first and second series of bonds pursuant to the authorization in an aggregate principal amount of \$249,991,936.50. The Bonds represent the third series of bonds sold within the Authorization. Following the issuance of the Bonds, approximately \$_____ of the Authorization will remain.

Security and Sources of Payment

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal and interest on and Maturity Value of the Bonds when due, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the District's Election of 2006 General Obligation Bonds, Series C Debt Service Fund (as defined herein), which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Bonds and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds and the County will maintain the Debt Service Fund held to the repayment of the Bonds, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS" for information on the District's tax base.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on and Maturity Value of the Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent (as defined herein). The Paying Agent will in turn remit the funds to DTC for remittance of such principal, Maturity Value and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

· Preliminary, subject to change.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2012, in which event it shall bear interest from the Date of Delivery. The Current Interest Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from the Date of Delivery at the accretion rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest with respect to each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its Denominational Amount to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360-day year basis its Maturity Value on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1. See "APPENDIX F – Table of Accreted Values." The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof.

Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such

Owner on the Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount or Maturity Value of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, Accreted Value and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender at the principal office of the Paying Agent. The principal, interest, Accreted Value and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on and Maturity Value of the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See “APPENDIX E – Book-Entry Only System.”

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds:

<u>Years Ending August 1</u>	<u>Current Interest Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total Annual Debt Service</u>
	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u> ⁽¹⁾	<u>Annual Principal Payment</u> ⁽²⁾	<u>Annual Accreted Interest Payment</u> ⁽²⁾	
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					

Totals

⁽¹⁾ Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2012.

⁽²⁾ The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated on the inside cover hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on August 1, 2011.

See “FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds” for a schedule of the total annual debt service requirements for all of the District’s outstanding general obligation bonds.

Application and Investment of Bond Proceeds

The proceeds from the sale of the Bonds will be used by the District to finance the acquisition, construction, modernization and renovation of certain District facilities approved by the District’s registered voters and to pay certain costs of issuance of the Bonds.

A portion of the proceeds from the sale of the Bonds shall be paid to the County to the credit of the “Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C Building Fund” (the “Building Fund”). Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the “Foothill-De Anza Community College District Election of 2006 General Obligation Bonds, Series C Debt Service Fund” (the “Debt Service Fund”) for the Bonds and used only for payment of principal or Maturity Value of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal or Maturity Value of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Moneys in the Building Fund may be invested in any one or more investments generally permitted to community college districts under the laws of the State of California or as permitted by the Resolution, including guaranteed investment contracts. Moneys in the Building Fund and the Debt Service Fund are expected to be invested through the Santa Clara County Investment Pool. See “SANTA CLARA COUNTY INVESTMENT POOL.”

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 20__ are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

The Capital Appreciation Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their stated maturity dates. The Capital Appreciation Bonds maturing on or after August 1, 20__ are subject to redemption on or after August 1, 20__ at the option of the District as a whole or in part on any date, at a redemption price equal to 100% of the Accreted Value as of the date fixed for redemption of the Capital Appreciation Bonds called for redemption, without premium.

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

· Preliminary, subject to change.

Redemption Date
(August 1)

Principal Amount

In the event that a portion of the Current Interest Term Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, in integral multiples of \$5,000 principal amount, in respect of the portion of such Current Interest Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 20 nor more than 45 days prior to the redemption date (i) to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

With respect to any notice of redemption of Bonds described above, unless upon the giving of such notice such Bonds will be deemed to have been defeased, such notice will state that such redemption is conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District) on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, the Bonds to be redeemed, and that if such moneys are not so received said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Tel: (212) 855-1000 or Fax: (212) 855-7320.

The actual receipt by an Owner or by any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

The notice or notices required for redemption will be given by the Paying Agent or its designee. A certificate by the Paying Agent that notice of call and redemption has been given to Owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose in the Debt Service Fund, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price out of the Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

Transfer and Exchange

Any Current Interest Bonds may be exchanged for Current Interest Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to

do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the sixteenth day next preceding a date for which such Bond has been selected for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: By irrevocably depositing with the County or with an independent escrow agent selected by the District, an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal and interest and premium, if any; or

(b) Government Obligations: By irrevocably depositing with the County or with an independent escrow agent selected by the District, noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal, Accreted Value and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service or Standard & Poor’s. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed “AAA” by Standard & Poor’s or “Aaa” by Moody’s Investors Service.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds
Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Debt Service Fund
[Costs of Issuance ⁽¹⁾]
Total Uses

⁽¹⁾ [Describe, if applicable.]

SANTA CLARA COUNTY INVESTMENT POOL

The following information has been provided by the County, and the District, Underwriter and Financial Advisor take no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Director of Finance.

The following is a general description of the County's investment policy, current portfolio holdings, investment policies and practices, and valuation procedures. For the most part, the information has been adapted from material prepared by Santa Clara County for use as disclosure information on securities issues. The information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, nor has such information been audited by the District, the Underwriter. All questions related to the County Treasury and the investment practices of the Director of Finance should be directed to the Director of Finance at 70 West Hedding Street, San Jose, California 95110, telephone (408) 299-5200.

The County Director of Finance has authority to implement and oversee the investment of funds on deposit in the County's commingled investment pool (the "Investment Pool"). The Investment Pool is maintained by the County Director of Finance for the investment of liquid funds of the County and certain governmental entities located in the County, including fire protection districts and other special districts. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool.

The County's current investment policy (the "Investment Policy") was last revised on October 6, 2009. The County's Investment Policy is approved annually by the County Treasury Oversight Committee and the Board of Supervisors. Copies of the approved Investment Policy are circulated annually to local agencies with funds on deposit in the Investment Pool.

The Treasury Oversight Committee is established by the Board of Supervisors to advise the County Director of Finance in the management and investment of the Investment Pool. Members of the Oversight Committee represent the County and other local governments which together comprise the Investment Pool and other segregated investments. Members of the Oversight Committee are nominated

by the County Director of Finance and confirmed by the Board of Supervisors and include the following: (i) County Director of Finance, (ii) representative appointed by the Board of Supervisors, (iii) representative selected by a majority of the presiding officers of the governing bodies of the school districts in the County that are required or authorized to deposit funds in the Investment Pool, (iv) County Superintendent of Schools or his/her designee, (v) representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County and (vi) members of the public that have expertise in, or an academic background in, public finance.

The Oversight Committee approves the Investment Policy, reviews and monitors the County Director of Finance's quarterly investment reports, reviews depositories for County funds and broker/dealers and banks as approved by the County Director of Finance, and causes an annual audit to be conducted to determine the Investment Pool's compliance with all relevant investment statutes and ordinances as well as the Investment Policy.

The Investment Policy states that preservation of principal and maintenance of liquidity is of primary concern, with earnings to be at market rates of return commensurate with minimum levels of risk.

As of December 31, 2010, the book value of the Investment Pool was \$3,942,839,369.39 and the market value was \$3,952,002,564. The following table summarizes the composition of the Investment Pool as of December 31, 2010.

SANTA CLARA COUNTY INVESTMENT POOL
Portfolio Composition
As of December 31, 2010

<u>Type of Maturity</u>	<u>Book Value</u>	<u>Market Value</u>	<u>% of Total Market Value</u>	<u>Average Days to Maturity</u>
Negotiable Certificates of Deposit	\$215,000,000.00	\$215,071,265.00	5.4%	120
MBS	8,489,633.03	8,440,073.59	0.2	1,322
Repurchase Agreements	200,000,000.00	200,000,000.00	5.1	11
Federal Agency Bonds	1,024,635,971.51	1,030,337,957.47	26.1	589
US Treasury Notes	45,143,608.92	45,190,225.00	1.1	265
Corporate Bonds	268,600,249.62	269,346,046.54	6.8	476
Corporate Bonds – Cont.	6,238,630.39	6,491,751.74	0.2	510
FDIC Guaranteed Corporate Bonds	266,176,085.11	267,983,733.08	6.8	376
NCUA Guaranteed Corporate Bonds	67,215,111.03	67,746,809.74	1.7	386
Municipal Bonds	41,700,000.00	41,697,700.00	1.1	35
Commercial Paper, Discount Notes	1,050,538,733.91	1,050,408,772.41	26.6	26
Federal Agency, Discount Notes	254,792,430.56	254,920,780.00	6.5	80
Dreyfus Money Market Fund	226,019,168.33	226,019,168.33	5.7	1
Other Money Market Funds	<u>268,289,746.98</u>	<u>268,348,281.05</u>	<u>6.8</u>	<u>1</u>
TOTAL	\$3,942,839,369.39	\$3,952,002,563.95	100.0	244

Source: Santa Clara County Treasurer-Tax Collector.

As of December 31, 2010, the Investment Pool had 23.8% invested in cash equivalent-money market funds, 35.0% of its assets invested in securities maturing in 90 days or less, 18.1% of its assets invested in securities maturing between 90 days and one year, 11.5% maturing in one to two years, and 11.6% of its assets invested in securities maturing in over two years. As of December 31, 2010, the Investment Pool's yield was 0.81%.

The County reports that it has no leveraged funds in the Investment Pool. The County reports that none of the Investment Pool is invested in derivatives. The County reports that it is current practice for the Director of Finance to mark the portfolio to market on a quarterly basis. Such evaluations are performed by the County. The County reports that it expects the Investment Pool will have sufficient liquid funds to meet disbursement requirements of participants through the next six months.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values. The establishment of such agencies would not, however, affect the levy and collection of taxes with respect to the payment of debt service on the District’s general obligation bonds, including the Bonds.

Assessed Valuations

The following represents the ten-year history of assessed valuations in the District.

ASSESSED VALUATIONS Foothill-De Anza Community College District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$54,297,024,369	\$7,484,063	\$6,806,331,456	\$61,110,839,888
2002-03	56,961,911,825	7,616,503	7,015,602,679	63,985,131,007
2003-04	59,597,597,474	6,547,613	6,613,123,744	66,217,268,831
2004-05	62,350,282,279	7,157,998	5,329,707,648	67,687,147,925
2005-06	67,138,777,355	6,951,216	5,949,427,758	73,095,156,329
2006-07	74,020,489,225	6,441,120	5,578,833,713	79,605,764,058
2007-08	79,985,109,594	4,082,610	5,786,398,994	85,775,591,198
2008-09	87,548,070,527	4,237,376	6,162,676,227	93,714,984,130
2009-10	91,057,009,698	4,237,376	6,810,383,422	97,871,630,496
2010-11	91,313,000,200	4,237,376	6,080,958,926	97,398,196,502

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment.”

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment

appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.”

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

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation and Parcels by Land Use

The following is an analysis of the District’s assessed valuation (excluding utility and unsecured property) by land use.

ASSESSED VALUATION AND PARCELS BY LAND USE Foothill-De Anza Community College District

	2010-11 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural/Forest	\$316,089,236	0.35%	277	0.25%
Commercial/Office	12,592,415,822	13.79	3,769	3.38
Industrial/Research and Development	10,300,554,437	11.28	1,245	1.12
Recreational	88,529,124	0.10	88	0.08
Government/Institutional	665,228,000	0.73	336	0.30
Miscellaneous/Utilities	<u>220,581,102</u>	<u>0.24</u>	<u>225</u>	<u>0.20</u>
Subtotal Non-Residential	\$24,183,397,721	26.48%	5,940	5.32%
Residential:				
Single Family Residence	\$50,606,476,766	55.42%	76,352	68.44%
Condominium/Townhouse	8,794,470,551	9.63	21,254	19.05
Mobile Home	84,574,615	0.09	1,324	1.19
2-4 Residential Units	1,930,256,585	2.11	3,815	3.42
5+ Residential Units/Apartments	<u>4,843,555,497</u>	<u>5.30</u>	<u>1,524</u>	<u>1.37</u>
Subtotal Residential	\$66,259,334,014	72.56%	104,269	93.46%
Vacant Parcels/Unknown Use	\$870,268,465	0.95%	1,355	1.21%
Total	\$91,313,000,200	100.005	111,564	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - “Teeter Plan”

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including community college districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

Under the Teeter Plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District’s general purpose secured property tax levy and the *ad valorem* tax levy for the District’s general obligation bonds under the Teeter Plan.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2010-11 secured assessed valuations. The District provides educational services to and its boundaries include portions of the County.

LARGEST 2010-11 LOCAL SECURED TAXPAYERS Foothill-De Anza Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Board of Trustees, Leland Stanford Jr. University (2)	Various Land Holdings	\$4,644,858,575	5.09%
2.	Apple Computer Inc.	Office Building	689,269,613	0.75
3.	Lockheed Missiles and Space Co. Inc.	Manufacturing	564,311,648	0.62
4.	Network Appliance Inc.	Research and Development	533,961,667	0.58
5.	Yahoo Inc.	Office Building	476,572,971	0.52
6.	Google Inc.	Research and Development	433,175,665	0.47
7.	Applied Materials Inc.	Manufacturing	332,063,630	0.36
8.	HCP Life Science REIT Inc.	Industrial	315,450,603	0.35
9.	Agilent Technologies Inc.	Manufacturing	306,450,663	0.34
10.	SPF Mathilda LLC	Office Building	276,782,465	0.30
11.	Silicon Valley CA I LLC	Research and Development	254,274,305	0.28
12.	Symantec Corporation	Office Building	252,480,770	0.28
13.	Downtown Sunnyvale Mixed Use LLC	Office Building	251,820,801	0.28
14.	Mt. Spe LLC	Office Building	249,945,500	0.27
15.	BP MV Research park LLC	Research and Development	226,920,912	0.25
16.	Arden Realty LP	Office Building	215,814,601	0.24
17.	Loral Space & Communications Inc.	Research and Development	208,734,404	0.23
18.	Moffett Towers Lot 3 LLC	Office Building	205,425,611	0.22
19.	Heidelberg Cement Inc.	Industrial	183,498,522	0.20
20.	Spansion LLC	Manufacturing	181,288,288	0.20
			<u>\$10,803,101,214</u>	<u>11.83%</u>

⁽¹⁾ 2010-11 Local Secured Assessed Valuation: \$91,313,000,200.

⁽²⁾ Taxable properties only.

Source: *California Municipal Statistics, Inc.*

Tax Rates

A representative tax rate area located within the District is Tax Rate Area 6-001. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in this tax rate area during the five-year period from 2006-07 through 2010-11.

TYPICAL TAX RATES (TRA 6-001)⁽¹⁾ Foothill-De Anza Community College District

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	.0388	.0388	.0388	.0388	.03880
County Hospital Bond	--	--	--	.0122	.00950
City of Palo Alto	--	--	--	--	.01711
Palo Alto Unified School District Bond	.0440	.0445	.0404	.0445	.04450
Foothill Community College District Bond	<u>.0346</u>	<u>.0113</u>	<u>.0123</u>	<u>.0322</u>	<u>.03260</u>
Total All Property	1.1174	1.0946	1.0915	1.1277	1.14251
Santa Clara Valley Water District - State Water Project (Land and Improvement)	<u>.0070</u>	<u>.0067</u>	<u>.0059</u>	<u>.0071</u>	<u>.00700</u>
Total Land and Improvement	.0070%	.0067%	.0059%	.0071%	.00700%

⁽¹⁾ 2010-11 Assessed Valuation of TRA 6-001 is \$17,923,244,243 which is 18.40% of the district's total assessed valuation.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of May 1, 2011, for debt issued as of April 14, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Foothill-De Anza Community College District

2010-11 Assessed Valuation: \$97,398,196,502
Incremental Assessed Valuation: 3,846,448,746
Adjusted Assessed Valuation: \$93,551,747,756

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/11</u>	
Santa Clara County	35.262%	\$118,092,438	
Foothill-De Anza Community College District	100.000	466,224,288	(1)
Palo Alto Unified School District	100.000	229,109,249	
Santa Clara Unified School District	0.150	378,390	
Fremont Union High School District	100.000	265,975,108	
Mountain View-Los Altos Union High School District	100.000	50,486,384	
Cupertino Union School District	100.000	122,479,905	
Los Altos Union School District	100.000	86,664,000	
Mountain View School District	100.000	23,894,685	
Mountain View-Whisman School District	100.000	2,645,000	
Sunnyvale School District	100.000	117,214,273	
Whisman School District	100.000	19,129,761	
Other School Districts	various	193,287	
City of Palo Alto	100.000	55,305,000	
City of San Jose	4.288	20,596,122	
City of Saratoga	16.134	2,033,691	
El Camino Hospital District	97.760	140,583,768	
Other Special Districts	various	273,246	
City of Sunnyvale Community Facilities District No. 1	100.000	18,060,000	
Santa Clara Valley Water District Benefit Assessment District	35.262	50,481,079	
City 1915 Act Bonds	100.000	<u>39,825,613</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,829,645,287	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	35.262%	\$285,669,804	
Santa Clara County Pension Obligations	35.262	136,120,073	
Santa Clara County Board of Education Certificates of Participation	35.262	4,580,534	
Foothill-De Anza Community College District Certificates of Participation	100.000	21,895,000	
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	0.123	11,870	
Mountain View-Los Altos Union High School District Certificates of Participation	100.000	6,115,000	
Santa Clara Unified School District Certificates of Participation	0.150	19,470	
Saratoga Union School District Certificates of Participation	0.261	15,947	
City of Cupertino Certificates of Participation	96.599	43,962,205	
City of Mountain View General Fund Obligations	100.000	15,685,000	
City of San Jose General Fund Obligations	4.288	34,721,193	
City of Sunnyvale General Fund Obligations	86.330	22,765,221	
Other Cities General Fund Obligations	Various	10,701,215	
North County Library Authority	100.000	330,000	
Midpeninsula Regional Open Space Park District General Fund Obligations	54.349	60,057,292	
Santa Clara County Vector Control District Certificates of Participation	35.262	<u>1,398,138</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$644,047,962	
Less: City supported bonds		<u>17,084,078</u>	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$626,963,884	
GROSS COMBINED TOTAL DEBT		\$2,473,693,249	(2)
NET COMBINED TOTAL DEBT		\$2,456,609,171	

(1) Excludes the Bonds described herein.

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

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$466,224,288)	0.48%
Total Direct and Overlapping Tax and Assessment Debt	1.88%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$488,119,288)	0.52%
Gross Combined Total Debt	2.64%
Net Combined Total Debt	2.63%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. California community college districts (other than Basic Aid Districts, as described below) receive, on average, approximately 52 percent of their funds from the State, 44 percent from local sources, and 4 percent from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which is less than 3 percent), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

A bill passed the State's legislature ("SB 361"), and signed by the Governor on September 29, 2006, established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit full time equivalent students ("FTES") in each district.

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

The District's base revenue per credit unit of FTES for 2007-08, 2008-09 and 2009-10 were approximately \$4,396, \$4,594, and \$4,585 respectively, and per CDCP enhanced non-credit unit of FTES for the same years were, on average, approximately \$3,092, \$3,232 and \$3,232 respectively, and per non-credit unit of FTES for the same years were approximately \$2,626, \$2,745 and \$2,745. The District projects, on average, that its respective base revenue per credit unit of FTES for 2010-11 will be \$4,585, that its base revenue per CDCP enhanced non-credit unit of FTES will be \$3,232 and that its base revenue per non-credit unit of FTES will be \$2,745.

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

"Basic Aid" community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic Aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively

determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is not a Basic Aid district.

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

Tax Shifts and Triple Flip

Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools, including community college districts. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required Education Revenue Augmentation Fund ("ERAF") shift to \$135 million. Legislation commonly referred to as the "Triple Flip" was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds are repaid.

Budget Procedures

On or before September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

The following table shows the District's general fund budgets for fiscal years 2008-09 through 2010-11, the District's actual results for fiscal years 2008-09 through 2009-10 and projected totals for fiscal year 2010-11. For further information, see also "APPENDIX B – Excerpts from the District's 2009-10 Audited Financial Statements."

COMPARISON OF GENERAL FUND BUDGETS AND ACTUAL RESULTS
for Fiscal Years 2008-09 through 2010-11⁽¹⁾
Foothill-De Anza Community College District

	<u>Budget 2008-09</u>	<u>Actual 2008-09</u>	<u>Budget 2009-10</u>	<u>Actual 2009-10</u>	<u>Budget 2010-11</u>	<u>Projected Totals 2010-11</u>
REVENUES:						
Federal Revenues	\$4,033,926	\$4,003,244	\$4,647,451	\$6,345,971	\$5,490,746	\$5,490,746
State Revenues	105,415,949	101,260,486	91,413,381	83,091,347	78,526,158	78,208,820
Local Revenues	<u>110,641,808</u>	<u>119,704,220</u>	<u>118,879,258</u>	<u>127,272,819</u>	<u>127,647,571</u>	<u>128,837,321</u>
TOTAL REVENUES	220,091,683	224,967,950	214,940,090	216,710,137	211,664,475	212,536,886
EXPENDITURES:						
Academic Salaries	88,457,129	88,021,312	88,361,765	84,179,903	88,900,519	85,021,522
Classified Salaries	50,947,334	50,338,568	50,218,725	49,696,286	46,967,493	47,561,823
Employee Benefits	48,335,478	43,140,025	49,669,205	47,434,937	44,333,741	44,378,469
Supplies and Materials	3,799,235	5,830,570	4,302,697	4,142,337	4,381,727	4,681,096
Other Operating Expenses and Services	45,833,956	26,527,986	38,533,818	22,869,391	39,697,151	29,702,665
Capital Outlay	<u>1,315,773</u>	<u>1,309,893</u>	<u>1,341,664</u>	<u>468,985</u>	<u>610,536</u>	<u>641,406</u>
TOTAL EXPENDITURES	238,688,905	215,168,354	232,427,874	208,791,839	224,891,167	211,986,982
Excess of Revenues Over/ (Under) Expenditures (Uses)	(18,597,222)	9,799,596	(17,487,784)	7,918,298	(13,226,692)	549,906
Other Financing Sources	7,354,791	8,866,393	7,019,161	10,270,913	6,847,976	7,060,471
Other Outgo	(10,872,645)	(15,989,135)	(11,071,028)	(14,455,412)	(10,038,915)	(10,505,811)
Net Increase/(Decrease) in fund Balance	(22,115,076)	2,676,854	(21,539,651)	3,733,799	(16,417,631)	(2,895,434)
FUND BALANCE, BEGINNING OF YEAR	40,856,144	40,856,144	43,532,998	43,532,998	47,266,797	47,266,798
Prior Years Adjustments	--	--	--	--	--	--
ADJUSTED BEGINNING BALANCE	<u>40,856,144</u>	<u>40,856,144</u>	<u>43,532,998</u>	<u>43,532,998</u>	<u>47,266,797</u>	<u>47,266,798</u>
FUND BALANCE, END OF YEAR	<u>\$18,741,068</u>	<u>\$43,532,998</u>	<u>\$21,993,347</u>	<u>\$47,266,797</u>	<u>\$30,849,166</u>	<u>\$44,371,362</u>

⁽¹⁾ General fund budget and unaudited actual results from the District's Annual Financial and Budget Reports, Form CCFS-311. Projected fiscal year 2010-11 results from the District's Second Quarter Report, dated 12/31/2010.
Source: The District.

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

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

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

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

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

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

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

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

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriter take any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2010-11 Budget. The 2010-11 Budget Act (the "2010-11 Budget") was signed into law by the Governor on October 8, 2010. On October 12, 2010, the LAO released its summary of the major features of the 2010-11 Budget (the "LAO Budget Summary"). The following information is adapted from LAO Budget Summary.

Absent corrective measures, the 2010-11 Budget projects a fiscal year 2010-11 ending deficit of approximately \$17.9 billion. To address this gap, the 2010-11 Budget relies on \$7.8 billion of expenditure and cost reductions, \$5.4 billion of federal funding measures, \$3.3 of revenue measures, and \$2.7 billion of loans, transfers and one-time fund shifts.

With the implementation of these measures, the 2010-11 Budget assumes, for fiscal year 2009-10, year-end revenues of \$81.6 billion and expenditures of \$86.3 billion. The 2010-11 Budget also assumes the State ended fiscal year 2009-10 with a budget deficit of \$6.3 billion. For fiscal year 2010-11, the 2010-11 Budget projects total revenues of \$89.4 billion (an increase of 8.4% from the prior year) and authorizes total expenditures of \$86.5 billion (an increase of 0.2% from the prior year). The State is also projected to end fiscal year 2010-11 with a \$1.3 million surplus. The LAO notes that well over two-thirds of the measures included in the 2010-11 Budget are of a one-time nature. As a result, the State is expected to continue facing structural deficit problems in future fiscal years.

Total Proposition 98 funding is increased in fiscal year 2010-11 to \$49.7 billion, including \$36.2 from the State general fund. This represents an increase of \$115 million, or 0.2%, from the prior year. This increase includes \$108 million in ongoing Proposition 98 funding for community college districts, reflecting a 2.2% budgeted increase in enrollment growth.

To fund Proposition 98 at this level, the 2010-11 Budget authorizes the suspension of the Proposition 98 minimum funding requirement. Absent this suspension, the LAO estimates that Proposition 98 funding would need to increase by approximately \$4.1 billion in fiscal year 2010-11. The 2010-11 Budget also projects a "settle up obligation" of approximately \$1.8 billion resulting from the State appropriating less funding in fiscal year 2009-10 than required by the Proposition 98 minimum funding guarantee. The 2010-11 Budget provides for \$300 million to begin funding this settle-up obligation.

Although Proposition 98 funding increases slightly in fiscal year 2010-11, expenditure reductions are necessary because of the number of one-time solutions built into the fiscal year 2009-10 budget. To that end, the 2010-11 Budget reduces total Proposition 98 expenditures by approximately \$3.4 billion. The bulk of this reduction is treated as payment deferral rather than a spending cut. Specifically, the 2010-11 Budget provides for the deferral of \$1.9 billion in State apportionments due in the spring of 2011, including \$189 million for community college districts. Other significant measures include (i)

\$118.9 million in anticipated savings to child care funding, (ii) a decrease of \$700 million in unallocated funds for a variety of K-12 categorical programs, and (iii) \$550 million in projected savings in the K-3 Class Size Reduction Program.

During the State's budgetary impasse, various State vendors went unpaid and the State's annual revenue anticipation warrant ("RANs") borrowing was delayed. Without the proceeds from such RANs, the 2010-11 Budget projects that the State will have difficulty meeting all its financial obligations without the use of registered warrants (also known as IOUs). Therefore, the 2010-11 Budget includes provisions authorizing the State Controller to delay the payment of school district and community college district apportionments, as well as various other State payments, in October by several days. Such deferrals would be in addition to existing deferrals of State apportionments.

Other significant features of the 2010-11 Budget includes the following:

- *Higher Education.* \$250 million of increased funding to the University of California system and \$260 million of increased funding to the California State University system. These augmentations are each \$106 million lower than the amounts included in the Governor's May revision to his proposed budget for fiscal year 2010-11 (the "May Revision"), reflecting the receipt of federal stimulus funding. The 2010-11 Budget also includes a \$100 million reduction to the Cal Grant financial aid program, and instead backfills this reduction with excess revenue from the Student Loan Operating Fund.
- *State Employee Compensation.* The 2010-11 Budget implements \$1.6 billion in reductions to State personnel costs, including \$896 million in anticipated savings from recent agreements with State employee unions and \$580 million in anticipated savings from a 5% reduction in the State workforce.
- *Social Services.* \$300 million in anticipated savings in the IHSS program, including \$190 million from the application of the State sales tax to IHSS providers, \$35 million from a 3.6% reduction to authorized service hours for IHSS recipients, and a \$75 million adjustment to reflect a lower than anticipated caseload.
- *Medi-Cal.* \$187 million in anticipated savings by requiring managed care enrollment of certain Medi-Cal recipients, \$100 million in anticipated savings from rate freezes and reductions to certain Medi-Cal providers, and \$26 million in assumed savings from antifraud efforts.
- *CalWORKs.* The 2010-11 Budget does not include the proposed elimination of the CalWORKs program included in the May Revision. However, CalWORKs funding was subject to various Gubernatorial vetoes, as discussed below.
- *Corrections/Rehabilitation.* \$820 million in unallocated reductions to inmate medical services achieved primarily by paroling certain sick inmates. The 2010-11 Budget also assumes \$219 million in savings from unspecified adult correctional population changes.
- *State Courts.* \$405 million reduction to State general fund support for trial courts. This reduction would be largely offset by a one-time shift of \$350 million in redevelopment funding.
- *Local Mandate Securitization.* The 2010-11 Budget authorizes joint powers authorities to issue up to \$1 billion of ten-year "local mandate claim receivables" backed by the State's

repayment obligation to cities, counties and special districts. Under the plan, the State would pay interest on the receivables at a rate of 2% per year, with local agencies bearing all other additional interest or issuance costs.

- *Federal Funding.* As mentioned above, the 2010-11 Budget assumes \$5.4 billion in federal funding measures, allowing for a like reduction of State general fund costs. This additional funding is to be achieved primarily through federal approval for reductions in state costs or service levels, and the receipt of additional federal stimulus funding. The LAO notes that most of these measures have not been approved by Congress.
- *Revenue Measures.* The 2010-11 Budget includes \$3.3 billion of revenue measures, including (i) \$1.4 billion in additional revenues by adopting the LAO's May 2010 revenue forecast, and (ii) \$1.2 billion of additional revenues by extending the current ban on Net Operating Loss tax deductions.
- *Gubernatorial Vetoes.* In signing the budget, the Governor vetoed \$963 million in State general fund expenditures, including (i) \$256 million by eliminating CalWORKs Stage 3 child care, (ii) \$80 million for child welfare services, (iii) \$12 million for HIV/AIDS health programs, (iv) \$10 million for health clinics, (v) \$6 million for community based programs run by the Department of Aging, and (vi) \$133 million of funding for student mental health services.

Additional information regarding the 2010-11 Budget is available from the LAO's website: www.lao.ca.gov.

Fiscal Outlook Report. On November 10, 2010, the LAO released a report entitled "The 2011-12 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which updates expenditure and revenue projections for fiscal year 2010-11. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2010-11 through 2015-16 under current law, absent any actions to close the State's budget gap. Such projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The Fiscal Outlook Report concludes that although the 2010-11 Budget had projected the State would end fiscal year 2010-11 with a \$1.3 billion General Fund reserve, the LAO now projects, if no actions are taken, the State faces a 2010-11 year-end General Fund deficit of \$6.1 billion. The Fiscal Outlook Report attributes this projected budget deficit to (i) an expected failure to receive approximately \$3.5 billion in federal funding (or flexibility in operating state-federal programs like Medi-Cal), (ii) reductions in projected revenues and (iii) increases in projected expenditures. The Fiscal Outlook Report assumes the State will be unable to achieve fiscal year 2009-10 and/or fiscal year 2010-11 budget solutions totaling approximately \$3 billion. In addition, the Fiscal Outlook Report forecasts revenue for fiscal years 2009-10 and 2010-11 approximately \$447 million below the 2010-11 Budget assumptions, and projects that the State will be unable to achieve an additional \$800 million in budgeted solutions for fiscal year 2010-11 due to recent statutory changes. See, e.g., "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 26."

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov.

Governor's 2011-12 Proposed Budget. On January 10, 2011 the Governor released his proposed budget for fiscal year 2011-12 (the "Proposed Budget"). On January 12, 2011 the LAO released its Overview of the Governor's Budget (the "LAO Overview"). The following information has been adapted from excerpted portions of the LAO Overview.

The Proposed Budget estimates that, without corrective action by the Legislature and the Governor, the State would end 2011-12 with a \$25.4 billion deficit. Specifically, the administration estimates that the General Fund will end 2010-11 with a deficit of \$8.2 billion (as opposed to the \$1.5 billion reserve balance assumed when the 2010-11 Budget was adopted). For 2011-12, the Governor estimates that the gap between expenditures and revenues will be \$17.2 billion.

In total, the Governor proposes \$26.4 billion in budget solutions. If adopted and achieved in full, the Governor's budget plan would leave the State with a reserve of around \$1 billion at the end of 2011-12. The Governor proposes to reduce current-law General Fund state expenditures by \$12.5 billion. These expenditure-related solutions include both reductions in services and benefits and use of other funding sources in lieu of the General Fund. The Governor proposes a total of \$14 billion in new revenues, of which \$3 billion is attributed to 2010-11. The additional revenues to be deposited in the General Fund would result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools and community colleges (reducing the net effect of these new revenues to \$12 billion). The remaining \$1.9 billion in solutions comes from borrowing from special funds and other sources.

The LAO reports that two significant and interrelated themes run through the Governor's budget package: (1) his plan to submit to the State's voters a proposed extension of the four temporary tax increases adopted in February and (2) his plan to restructure the state-local relationship in the delivery of services by shifting funding and responsibility to local governments for those services (referred to herein as "realignment"). In addition, the Governor proposes dramatic changes in the area of local economic development by proposing the elimination of redevelopment agencies.

The LAO notes that the Governor proposes to put two ballot measures before the voters: (1) a constitutional measure to extend the temporary tax increases by another five years and to dedicate two of these revenues to realignment and (2) a measure to change state law provisions regarding certain tobacco product excise taxes to allow the funds to be used in the Medi-Cal Program. The LAO expects that the Governor will ask that a separate measure be placed on a future election ballot to allow new mechanisms for funding redevelopment at the local level.

In connection with the Proposed Budget, the administration proposed an accelerated budget process with a target date of March 1 to have all of the enabling legislation necessary to implement the budget solutions in place. Although this accelerated process did not occur, the approach would have allowed the Legislature and the administration to put in place the budget solutions required to address the budget deficit in March and then finalize action on the budget bill—presumably in June—prior to the state legislature's June 15 constitutional deadline for adopting a balanced budget. In the view of the administration, this would have allowed for the incorporation of any updated May Revision forecasts, as well as the results of the special election.

While the Governor's revenue proposals result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the Proposed Budget would result in a small programmatic funding decline for K-12 education and more significant reductions for community colleges and child care programs. The Proposed Budget reduces total Proposition 98 spending by less

than 1% from the current year to the budget year. Under the Governor's plan, K-12 funding would change negligibly from 2010-11 to 2011-12. By comparison, community college district funding would be reduced \$361 million or 6.3%. The Governor's Proposition 98 plan includes no cost-of-living-adjustments but funds enrollment growth for K-12 education (0.22%) and community college districts (1.9%).

The most substantial component of the Governor's Proposition 98 plan consists of \$2.2 billion in new inter-year deferrals from 2011-12 to 2012-13—\$2.1 billion from K-12 revenue limit payments and \$129 million from community college district apportionment payments. For community colleges, the deferral would be made from apportionment payments otherwise made in January through May of 2012 and also would likely not be repaid until September or October of 2012. In addition to the inter-year deferrals, the Governor proposes to continue intra-year deferrals to help with the State's cash flow problems. The Governor's intra-year deferral plan would delay \$2.5 billion in K-12 payments and \$200 million in community college district apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

The Governor proposes to achieve \$750 million in Proposition 98 child care savings by making four major policy changes: (1) reducing child care subsidies by about 35%; (2) reducing income eligibility for subsidized child care from 75% to 60% of state median income, (3) eliminating subsidized child care for 11- and 12-year olds, and (4) reducing a portion of CalWORKs caseload based on reform proposals. After accounting for various other federal and state adjustments, the Governor's proposal would reduce total 2011-12 funding for Proposition 98-supported child care programs by about \$652 million (29%) and child care slots by about 9,900 (3%) compared to 2010-11.

The Governor proposes a \$400 million reduction to community college apportionments. In addition, the Governor reduces Proposition 98 funding for the Division of Juvenile Facilities by \$8.7 million to reflect a three-year phase-out linked with his realignment proposal and provides no funding authority for the State's student and teacher data systems pending a comprehensive review of the two projects. In addition, the Governor proposes to increase community college fees from \$26 per unit to \$36 per unit, generating about \$110 million in additional revenue that would in effect fund enrollment growth of almost 23,000 full-time equivalent students.

The Governor's plan includes a two-year extension of existing K-14 fiscal relief options. For both school districts and community colleges, the Governor proposes to extend "categorical flexibility" from 2012-13 through 2014-15, reducing restrictions on funding associated with certain categorical programs.

The Proposed Budget would also eliminate the Office of the Secretary of Education, resulting in estimated non-Proposition 98 General Fund net savings of roughly \$400,000 in the current year and \$1.6 million in the budget year.

Although the LAO concludes that the Proposed Budget's estimate of the size of the budget problem and its assumptions of the effectiveness of the proposed solutions are generally reasonable, it finds that significant political and practical obstacles to the proposed solutions may exist and notes that, in total, around \$12 billion of the Governor's proposed budget solutions are dependent upon voter approval in June. The LAO credits the Governor's efforts to craft a budget plan that is heavily focused on multiyear and ongoing solutions. The LAO's early assessment of the out-year effects of the Proposed Budget is somewhat less favorable than the administration's, but the LAO concludes that the Proposed Budget would go a long way toward eliminating the State's persistent budget gap.

Additional information regarding the Proposed Budget for fiscal year 2011-12 may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget/.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 470 (“SB 70”), which implements several provisions included in the Proposed State Budget. Significant features of SB 70 relating to the funding of community college districts include the following:

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

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

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the current State budget deficit, changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to pay *ad valorem* taxes upon all taxable property within the District for the payment of principal and interest on the Bonds would not be impaired.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on and Maturity Value of the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment” Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor of each county. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS.”

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

Legislation Implementing Article XIII A

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues.”

Article XIII B of the California Constitution

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

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

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

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

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

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

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

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “Proposition 98” and “Proposition 111” below.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective

on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are

not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55 percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation,

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to community college districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2010-11 provided for additional inter-fiscal year deferrals. On March 1, 2010, the Governor signed into law Assembly Bill No. 5 of the Eighth Extraordinary Session of the California Legislature ("ABX8 5") which enacted various provisions to enable the State to effectively manage its cash resources. On March 22, 2010, the Governor signed into law Assembly Bill No. 14 of the Eighth Extraordinary Session of the California Legislature ("ABX8 14," and together with ABX8 5, the "2010-11 Cash Management Legislation"), which bill amended and clarified certain provisions of ABX8 5.

With respect to the funding of California community college districts in Fiscal Year 2010-11, the 2010-11 Cash Management Legislation authorized the deferral of \$200 million and \$100 million from the July 2010 and March 2011 apportionments, respectively. These State apportionments were authorized to be deferred to October 2010 and May 2011. The 2010-11 Cash Management Legislation also provided for an exemption to either or both of these deferrals for a community college district for which the State Chancellor, in consultation with the State Director of Finance, determined, prior to May 17, 2010, that

such proposed deferral presented an imminent threat to such district's fiscal integrity and security. The District did not applied for the exemption described above provided by the 2010-11 Cash Management Legislation.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which authorized the extension of the deferrals enacted by the 2010-11 Cash Management Legislation into fiscal year 2011-12. SB 82 provides similar hardship provisions that would exempt from the deferrals a community college district for whom the deferral presents an imminent threat to such district's fiscal integrity and security.

Future Initiatives

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of and interest on the Bonds is payable from the General Fund of the District. The Bonds are payable solely from the revenues generated by an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."

Introduction

The Foothill-De Anza Community College District (the "District") was established on January 15, 1957 and encompasses an approximately 105 square mile area in Santa Clara County (the "County"). The District is located in the Los Altos Hills, in the heart of the Silicon Valley, and serves local communities in Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Sunnyvale and portions of San Jose. The District operates two community colleges, Foothill College and De Anza College, which provide collegiate-level instruction across a wide spectrum of subjects for associates degrees, career and technical training, and transfer to four-year institutions.

Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Pearl Cheng	President	December 2014
Joan Barram	Vice President	December 2012
Betsy Bechtel	Member	December 2012
Laura Casas Frier	Member	December 2012
Bruce Swenson	Member	December 2014

The Chancellor of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Linda M. Thor is the District's current Chancellor. Brief biographies of key administrators follow:

Dr. Linda M. Thor, Chancellor. Dr. Thor was appointed Chancellor of the District in February 2010. Prior to her appointment, she served as President of Rio Salado College in Arizona for 20 years. She has also served as President of West Los Angeles College for four and a half years. Dr. Thor holds a B.A. degree in Journalism from Pepperdine University, an M.P.A. from California State University, Los Angeles and an Ed.D. in Community College Administration from Pepperdine University.

Kevin McElroy, Vice Chancellor, Business Services. Mr. McElroy joined the District as Vice Chancellor, Business Services in August 2011. Prior to this appointment, he served as the Vice President of Administrative Services for Coastline College. He has worked in private business prior to his career in post-secondary education. Mr. McElroy obtained his B.A. in Public Administration from San Diego State University and a master's degree in Public Policy and Administration from California State University, Long Beach.

Hector Quiñonez, Controller. Mr. Hector Quiñonez has been with the District for over 20 years. Prior to joining the District, Mr. Quiñonez served on the audit staff of KPMG Peat Marwick and subsequently worked in various accounting and controllership positions within the high technology industry. Mr. Quiñonez is a Certified Public Accountant and holds a B.S. degree in Accounting from San Jose State University.

Bernata Slater, Director of Budget Operations. Ms. Slater has been with the District for over 15 years. Prior to joining the District in 1995, Ms. Slater worked as a senior accountant for National Industry Extension Services in Sydney, Australia. Ms. Slater holds a B.S. degree in Accounting and an MBA in Finance from San Jose State University.

Enrollment

The following table shows the District's full-time equivalent students ("FTES") for the last ten fiscal years, along with projected FTES for the current fiscal year:

<u>Year</u>	<u>FTES</u>
2000-01	33,515
2001-02	36,394
2002-03	35,539
2003-04	35,928
2004-05	34,066
2005-06	35,494
2006-07	35,779
2007-08	37,364
2008-09	38,570
2009-10	37,056
2010-11 ⁽¹⁾	34,384

⁽¹⁾ Projected.

Source: The District.

Labor Relations

As of January 1, 2011, the District employed 495 full-time certified professionals and 657 full-time classified employees and managers. In addition, the District employed 726 part-time faculty and staff. These employees, except management and some part-time employees, are represented by five bargaining units as noted below:

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT Labor Relations Organizations

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Foothill-De Anza Faculty Association	1,195	6/30/10 – in negotiations
ACE	458	10/31/11
CSEA Local 96	93	12/31/12
Teamsters Local 287	7	6/30/10 – in negotiations

Source: The District.

Retirement Programs

STRS and PERS. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all fulltime certificated employees. The District's contribution to STRS was \$5,541,987 for fiscal year 2007-08, \$5,556,997 for fiscal year 2008-09, \$5,428,107 for fiscal year 2009-10, and is projected to be \$5,400,000 for fiscal year 2010-11.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. Both systems are operated on a statewide basis. The District's contribution to PERS was \$4,794,665 for fiscal year 2007-08, \$4,896,890 for fiscal year 2008-09, \$5,008,652 for fiscal year 2009-10, and is projected to be \$5,500,000 for fiscal year 2010-11.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each district, it is impossible to determine the District's share. The District is required to contribute to PERS at an actuarially determined rate, which is 10.707% of eligible salary expenditures for fiscal year 2010-11, while participants contribute 7% of their respective salaries.

Other Post-Employment Benefits

The District provides post-retirement health care benefits to employees hired prior to July 1, 1997 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts. The District pays health care insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up to age 65. After Medicare coverage begins, such benefits become supplemental to Medicare.

The District established an Other Post-Employment Benefits plan in the fiscal year ended June 30, 2007 including joining as a member of the Community College League Retiree Health Benefit Program Joint Powers Authority (the "OPEB JPA"), a non-profit organization. The OPEB JPA serves as an irrevocable trust, into which the District has deposited amounts in respect of its obligations to pay for post-retirement health care benefits. For the year ended June 30, 2010, the District's annual cost in respect of such benefits was \$7,280,595. As of June 30, 2010, the District's financial statements reflected a net asset (rather than a net obligation) in respect of such benefits of \$3,778,600. See Note 10 to the fiscal year 2009-10 audited financial statements of the District included as Appendix B hereto.

Insurance

The District carries excess insurance through its participation as a member district of the Schools Excess Liability Fund ("SELF"), which covers workers' compensation claims between \$500,000 and \$10,000,000. The estimate of incurred but not reported and reported claims is actuarially determined based upon historical experience and actuarial assumptions. The District carries insurance for workers' compensation claims also through SELF up to \$1,000,000 per incident for each employee.

The District is also self-insured for health care claims of employees participating in the District's health care plans. The District carries stop loss insurance to limit its aggregate liability to 125% of the expected paid claims and its individual claim liability limit to \$100,000 per care year.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board (“GASB”) has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District’s financial statements present a comprehensive, entity-wide perspective of the District’s assets, liabilities, and cash flows rather than the fund-group perspective previously required. The table on the following page displays the District’s revenues, expenses and changes in net assets for fiscal years 2006-07 through 2009-10.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
Statement of Total Revenues and Expenditures and Changes in General Fund Balances
Fiscal Years 2006-07 through 2009-10

	Audited Actuals <u>2006-07</u>	Audited Actuals <u>2007-08</u>	Audited Actuals <u>2008-09</u>	Audited Actuals <u>2009-10</u>
OPERATING REVENUES				
Tuition and Fees (gross)	\$35,962,663	\$36,770,274	\$41,913,565	\$48,292,399
Less: Scholarship discount and allowances	<u>(3,577,149)</u>	<u>(3,179,314)</u>	<u>(3,713,665)</u>	<u>(5,893,170)</u>
Net tuition and fees	32,385,514	33,590,960	38,199,900	42,399,229
Grants and Contracts, non-capital:				
Federal	11,673,481	13,005,322	16,237,767	24,550,627
State	19,713,611	16,324,985	15,756,073	12,235,488
Local	3,602,600	3,471,759	2,038,146	1,879,984
Auxiliary enterprise sales and charges	13,131,081	14,441,355	14,904,490	14,355,650
Interest on student loans	27,650	72,504	41,882	30,081
Other operating receipts	<u>10,955,757</u>	<u>19,655,755</u>	<u>18,630,328</u>	<u>10,961,645</u>
TOTAL OPERATING REVENUES	91,489,694	100,562,640	105,808,586	106,412,704
OPERATING EXPENSES				
Salaries	128,444,639	142,055,364	142,637,880	137,968,184
Benefits	41,686,457	48,954,148	42,666,870	44,180,682
Supplies, materials and other operating expenses and services	51,081,336	60,336,311	59,022,274	56,793,558
Utilities	3,732,662	4,297,312	4,677,095	3,962,452
Depreciation	<u>17,221,046</u>	<u>19,779,955</u>	<u>21,564,238</u>	<u>21,960,667</u>
TOTAL OPERATING EXPENSES	242,166,140	275,423,090	270,568,357	264,865,543
LOSS FROM OPERATIONS	(150,676,446)	(174,860,450)	(164,759,771)	(158,452,839)
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	86,924,768	84,655,658	82,785,879	67,599,547
Local property taxes	60,842,926	65,696,738	71,617,513	76,655,175
State taxes and other revenues	5,906,679	5,256,462	5,207,424	5,482,326
Investment income, non-capital	51,190	7,611,000	(627,395)	192,512
Investment income (loss), capital	76,784	1,123,755	303,721	(3,080,901)
Interest income on capital asset-related debt, net	<u>(14,013,326)</u>	<u>(23,443,101)</u>	<u>(27,646,040)</u>	<u>(27,204,184)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	139,789,021	140,900,512	131,641,102	119,644,475
LOSS BEFORE CAPITAL REVENUES	(10,887,425)	(33,959,938)	(33,118,669)	(38,808,364)
CAPITAL REVENUES				
State apportionment, capital	1,202,703	7,649,690	1,650,000	353,164
Local property taxes and revenues	<u>30,156,516</u>	<u>14,952,336</u>	<u>15,291,782</u>	<u>34,113,408</u>
TOTAL CAPITAL REVENUES	31,359,219	22,602,026	16,941,782	34,466,572
INCREASE (DECREASE) IN NET ASSETS	20,471,794	(11,357,912)	(16,176,887)	(4,341,792)
NET ASSETS – AS PREVIOUSLY REPORTED	147,793,304	168,265,098	137,152,265	120,975,378
RESTATEMENT	--	(19,754,921)	--	(7,556,752)
NET ASSETS, – AS RESTATED	<u>147,793,304</u>	<u>148,510,177</u>	<u>137,152,265</u>	<u>113,418,626</u>
NET ASSETS - END OF YEAR	<u>\$168,265,098</u>	<u>\$137,152,265</u>	<u>\$120,975,378</u>	<u>\$109,076,834</u>

Source: The District.

District Debt Structure

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

	<u>Fiscal Year of Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Balance at June 30, 2010</u>
1999 Election Series A Bonds	2000	4.30% - 6.26%	2030	\$99,995,036	\$26,145,036
1999 Election Series B Bonds	2004	2.00% - 5.79%	2036	90,100,063	60,710,063
1999 Election Series C Bonds	2005	3.00% - 5.03%	2036	57,904,900	57,677,253
2002 Refunding GO Bonds	2003	2.00% - 5.50%	2030	67,475,000	62,745,000
2005 Refunding GO Bonds	2005	3.00% - 5.25%	2021	22,165,000	22,010,000
2006 Election, Series A	2006	4.00% - 5.00%	2036	149,995,250	149,995,250
2006 Election, Series B	2006	4.00% - 5.00%	2036	99,996,686	99,996,686
Accreted Interest on CABs					43,638,153
Corporation Certificates of Participation	1997	3.80% - 5.05%	2012	12,520,000	1,395,000
Refunding Certificates of Participation	2003	1.00% - 4.38%	2021	18,275,000	12,680,000
2006 Financing COPs	2006	3.50% - 4.00%	2021	11,335,000	9,375,000
Capitalized lease obligations	1999-2005	3.67% - 5.98%	2009-2020	9,005,573	3,348,098
Total					<u>\$549,715,539</u>

Source: The District.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999 (the “1999 Authorization”) to issue not to exceed \$248,000,000 of general obligation bonds. On May 18, 2000, the District’s Election of 1999 General Obligation Bonds, Series A (the “1999 Series A Bonds”) were issued in the aggregate principal amount of \$99,995,036.05. On October 17, 2002, the District’s 2002 General Obligation Refunding Bonds (the “2002 Refunding Bonds”) were issued in the aggregate principal amount of \$67,475,000, in order to refund a portion of the 1999 Series A Bonds. On September 23, 2003, the District’s Election of 1999 General Obligation Bonds, Series B (the “1999 Series B Bonds”) were issued in the aggregate principal amount of \$90,100,062.75. On October 4, 2005, the District issued (i) its final series of bonds under the 1999 Authorization, the Election of 1999 General Obligation Bonds, Series C (the “1999 Series C Bonds”), in the aggregate principal amount of \$57,904,900.25 and (ii) its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) in the aggregate principal amount of \$22,165,000.00, in order to refund a portion of the 1999 Series B Bonds. On May 10, 2007, the District issued (i) its Election of 2006 General Obligation Bonds, Series A (the “2006 Series A Bonds”), in the aggregate principal amount of \$149,995,250.35 and (ii) its Election of 2006 General Obligation Bonds, Series B (the “2006 Series B Bonds”), in the aggregate principal amount of \$99,996,686.15.

The following table summarizes the total debt service requirements for the District's outstanding general obligation bonded debt:

Period Ending (August 1)	Election of 1999 Authorization				Election of 2006 Authorization			Total Annual Debt Service
	1999 Series A	2002 Refunding	1999 Series B	1999 Series C	2005 Refunding	2006 Series A	2006 Series B	
2011	\$2,559,900.00	\$3,357,968.76	\$2,469,145.00	\$2,244,612.50	\$1,155,525.00	\$11,897,325.00	\$8,327,025.00	
2012	--	6,240,468.76	2,636,770.00	2,345,150.00	1,155,525.00	6,539,525.00	4,381,025.00	
2013	--	6,572,768.76	2,816,920.00	2,451,250.00	1,155,525.00	6,801,775.00	4,559,525.00	
2014	--	6,916,406.26	3,006,170.00	2,567,000.00	1,155,525.00	7,073,525.00	4,742,525.00	
2015	4,520,000.00	2,747,406.26	827,370.00	2,745,250.00	3,485,525.00	7,353,525.00	4,929,275.00	
2016	4,880,000.00	2,744,156.26	3,562,370.00	2,822,500.00	1,033,200.00	7,650,525.00	5,129,025.00	
2017	5,255,000.00	2,745,606.26	712,500.00	3,018,250.00	4,063,200.00	7,957,775.00	5,330,525.00	
2018	5,635,000.00	2,746,206.26	712,500.00	3,176,250.00	4,314,125.00	8,273,775.00	5,548,025.00	
2019	6,025,000.00	2,746,406.26	712,500.00	3,347,750.00	4,583,525.00	8,602,025.00	5,770,025.00	
2020	6,425,000.00	2,745,887.50	712,500.00	3,521,500.00	4,879,300.00	8,950,775.00	5,995,525.00	
2021	3,525,000.00	6,059,625.00	712,500.00	3,711,750.00	5,188,825.00	9,307,775.00	6,238,525.00	
2022	3,850,000.00	6,160,125.00	6,302,500.00	3,847,000.00	--	9,681,275.00	6,487,275.00	
2023	4,180,000.00	6,261,625.00	6,662,100.00	4,064,250.00	--	10,064,025.00	6,750,525.00	
2024	4,530,000.00	6,363,375.00	7,035,000.00	4,294,250.00	--	10,469,025.00	7,016,525.00	
2025	4,905,000.00	6,452,000.00	7,435,000.00	4,544,250.00	--	10,888,525.00	7,299,025.00	
2026	5,290,000.00	6,538,750.00	7,860,000.00	4,814,250.00	--	11,325,025.00	7,591,025.00	
2027	5,680,000.00	6,629,250.00	8,320,000.00	5,099,250.00	--	11,775,775.00	7,895,775.00	
2028	6,105,000.00	6,707,500.00	8,805,000.00	5,394,250.00	--	12,244,525.00	8,208,775.00	
2029	6,550,000.00	6,778,250.00	9,315,000.00	5,719,250.00	--	12,737,775.00	8,537,550.00	
2030	7,005,000.00	6,846,000.00	9,865,000.00	6,064,250.00	--	13,248,275.00	8,877,750.00	
2031	--	--	18,925,000.00	12,334,250.00	--	13,778,325.00	9,232,575.00	
2032	--	--	19,875,000.00	12,149,250.00	--	14,325,000.00	9,435,000.00	
2033	--	--	20,865,000.00	11,164,250.00	--	14,900,000.00	9,260,000.00	
2034	--	--	21,910,000.00	10,119,250.00	--	15,495,000.00	9,080,000.00	
2035	--	--	23,005,000.00	9,029,250.00	--	16,115,000.00	8,890,000.00	
203	--	--	25,990,000.00	6,048,000.00	--	16,760,000.00	11,235,000.00	
203	--	--	--	--	--	--	--	
203	--	--	--	--	--	--	--	
203	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
204	--	--	--	--	--	--	--	
2036	--	--	--	--	--	--	--	
Total	\$86,919,900.00	\$104,359,781.34	\$221,050,845.00	\$136,636,512.50	\$32,169,800.00	\$284,215,875.00	\$186,747,825.00	

Certificates of Participation. On October 21 1997, the District caused the execution and delivery of its Certificates of Participation (1997 Financing Project) in the aggregate principal amount of \$12,520,000 (the “1997 Certificates”). The proceeds of the sale of the 1997 Certificates were used to finance the acquisition, construction, and installation of certain electrical, technology, and air conditioning equipment and to make repairs and improvements to existing buildings.

The remaining payments with respect to the 1997 Certificates are as follows:

<u>Year Ending (June 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$680,000.00	\$69,070.00	\$749,070.00
2012	<u>715,000.00</u>	<u>35,750.00</u>	<u>750,750.00</u>
Total	\$1,395,000.00	\$104,820.00	\$1,499,820.00

On June 3, 2003, the District caused the execution and delivery of its Refunding Certificates of Participation (Series 2003) in the aggregate principal amount of \$18,275,000 (the “2003 Certificates”). The net proceeds of the sale of the 2003 Certificates were used to prepay the District’s outstanding Certificates of Participation (1993 Refunding Project).

The remaining payments with respect to the 2003 Certificates are as follows:

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$880,000.00	\$483,202.50	\$1,363,202.50
2012	910,000.00	454,602.50	1,364,602.50
2013	940,000.00	423,662.50	1,363,662.50
2014	975,000.00	390,762.50	1,365,762.50
2015	1,015,000.00	354,687.50	1,369,687.50
2016	1,055,000.00	316,625.00	1,371,625.00
2017	1,100,000.00	274,425.00	1,374,425.00
2018	1,160,000.00	219,425.00	1,379,425.00
2019	1,210,000.00	161,425.00	1,371,425.00
2020	1,265,000.00	111,512.50	1,376,512.50
2021	<u>1,320,000.00</u>	<u>57,750.00</u>	<u>1,377,750.00</u>
Total	\$11,830,000.00	\$3,248,080.00	\$15,078,080.00

On November 15, 2006, the District caused the execution and delivery of its Certificates of Participation (2006 Financing Project) in the aggregate principal amount of \$11,335,000 (the “2006 Certificates”). The net proceeds of the sale of the 2006 Certificates were used to finance the construction and renovation of certain District facilities, including the Campus Center and the Bookstore on the District’s Foothill Campus and the Campus Center on the District’s De Anza Campus, as well as the acquisition and installation of equipment.

The remaining payments with respect to the 2006 Certificates are as follows:

<u>Year Ending (March 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$705,000.00	\$362,447.50	\$1,067,447.50
2012	730,000.00	337,772.50	1,067,772.50
2013	755,000.00	312,222.50	1,067,222.50
2014	785,000.00	283,772.50	1,068,772.50
2015	815,000.00	252,372.50	1,067,372.50
2016	840,000.00	221,772.50	1,061,772.50
2017	880,000.00	183,922.50	1,063,922.50
2018	915,000.00	151,362.50	1,066,362.50
2019	950,000.00	117,050.00	1,067,050.00
2020	980,000.00	80,000.00	1,060,000.00
2021	<u>1,020,000.00</u>	<u>40,800.00</u>	<u>1,060,800.00</u>
Total	\$9,375,000.00	\$2,343,495.00	11,718,495.00

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix A.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2010-11 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in “APPENDIX C – Form of Continuing Disclosure Certificate” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

[The District has, in the past, failed to file in a timely manner certain portions of the Annual Reports and material event notices required by its existing continuing disclosure obligations. The District has since filed all such information and is currently in compliance with all filings required by its outstanding continuing disclosure obligations.]

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. There is no litigation pending, and the District is not aware of any litigation threatened, questioning the political existence of the District or contesting the District’s ability to receive *ad valorem* taxes or to collect other revenues or contesting the District’s ability to issue and retire the Bonds.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as Appendix A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of “___” and “___” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), and Moody’s Investors Service

(“Moody’s”), respectively, based upon the issuance of an insurance policy guaranteeing the scheduled payment of principal of and interest on the Bonds. The Bonds have been assigned underlying ratings of “___” and “___” by S&P and Moody’s, respectively.

The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following address: Standard & Poor’s, a Standard & Poor’s Financial Services LLC business, 55 Water Street, 45th Floor, New York, NY 10041, and Moody’s Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Financial Statements

Portions of the financial statements with supplemental information for the year ended June 30, 2010, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 18, 2010 of Perry Smith LLP, Certified Public Accountants (the “Auditor”), are included in this Official Statement as Appendix B. In connection with the inclusion of portions of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Morgan Stanley & Co. Incorporated (the “Underwriter”) has agreed, pursuant to a contract of purchase among the District, the County and the Underwriter, to purchase all of the Bonds for a purchase price of \$_____ (principal amount of the Bonds of \$_____, plus original issue premium of \$_____).

The purchase contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions.

The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

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

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

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

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT**

By: _____
Kevin McElroy
Vice Chancellor, Business Services

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Foothill-De Anza Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Foothill-De Anza Community College District (Santa Clara County, California) Election of 2006 General Obligation Bonds, Series C (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, a greater than fifty-five percent vote of the qualified electors of the Foothill-De Anza Community College District (the “District”) voting at an election held on June 6, 2006, a resolution of the Governing Board of the District (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount

deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2009-10 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Foothill-De Anza Community College District (the “District”) in connection with the issuance of \$_____ Foothill-De Anza Community College District (Santa Clara County, California) Election of 2006 General Obligation Bonds, Series C (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Governing Board of the District adopted on May 2, 2011 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

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

“Participating Underwriter” shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2010-11 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Participating Underwriter. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) enrollment of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) assessed valuations, tax levy and delinquencies (but only in the event the County is no longer on the Teeter Plan) for real property located in the District for the last completed fiscal year; and

- (e) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

SECTION 5. Reporting of Significant Events.

((a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

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

1. non-payment related defaults.
2. modifications to rights of Holders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

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

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

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

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

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

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

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

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

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

with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the District: Foothill-De Anza Community College District
12345 El Monte Road
Los Altos Hills, California 94022

To the Dissemination Agent: Foothill-De Anza Community College District
12345 El Monte Road
Los Altos Hills, California 94022

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Date: June __, 2011

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By _____
Vice Chancellor, Business Services

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2006 General Obligation Bonds, Series C

Date of Issuance: June __, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF SANTA CLARA

The following economic data for the County of Santa Clara (the "County") is presented for information purposes only. The Bonds are not a debt or obligation of the County.

General

The County is one of the nine counties in the greater metropolitan San Francisco Bay Area. The County is the home of "Silicon Valley," the birthplace of the semiconductor and computer industries in the United States. The economies of the City of San Jose and the County are based largely on the primary and secondary businesses associated with the computer and electronics industry.

Population

A summary of the population estimates for the County and the State of California for 1960, 1970, 1980 and 1990, as well as for the preceding twenty years is shown in the following table.

POPULATION ESTIMATES County of Santa Clara and State of California Calendar Years 1960, 1970, and 1980; 1990 through 2010

<u>Year⁽¹⁾</u>	<u>County of Santa Clara</u>	<u>Annual % Change</u>	<u>State of California</u>	<u>Annual % Change</u>
1960 ⁽²⁾	642,315	--	15,717,204	--
1970 ⁽²⁾	1,065,313	--	19,971,068	--
1980 ⁽²⁾	1,295,071	--	23,782,000	--
1990 ⁽²⁾	1,497,577	--	29,558,000	--
1991	1,501,771	0.28%	30,143,555	1.98%
1992	1,519,153	1.16	30,722,998	1.92
1993	1,542,054	1.51	31,150,786	1.39
1994	1,558,454	1.06	31,418,940	0.86
1995	1,568,225	0.63	31,617,770	0.63
1996	1,586,378	1.16	31,837,399	0.69
1997	1,612,739	1.66	32,207,869	1.16
1998	1,638,277	1.58	32,657,877	1.40
1999	1,658,055	1.21	33,140,771	1.48
2000 ⁽²⁾	1,682,585	1.48	33,873,086	2.21
2001	1,701,362	1.12	34,430,970	1.65
2002	1,715,295	0.82	35,063,959	1.84
2003	1,726,081	0.63	35,652,700	1.68
2004	1,738,435	0.72	36,199,342	1.53
2005	1,752,696	0.82	36,676,931	1.32
2006	1,771,291	1.06	37,087,005	1.12
2007	1,797,623	1.49	37,463,609	1.02
2008	1,828,977	1.74	37,871,509	1.09
2009	1,857,516	1.56	38,255,508	1.01
2010	1,880,876	1.26	38,648,090	1.03

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1

Source: California Department of Finance estimates (and 1960, 1970, 1980, 1990 and 2000 Census)

Industry and Employment

With respect to the County and the State, the following table summarizes the civilian labor force, employment and unemployment for the calendar years 2004 through 2009.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Santa Clara County and State of California
Calendar Years 2004 through 2009
Annual Averages⁽¹⁾

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2004	Santa Clara County	829,400	776,000	53,400	6.4%
	California	17,444,400	16,354,800	1,089,700	6.2
2005	Santa Clara County	817,000	773,200	43,700	5.4%
	California	17,544,800	16,592,200	952,600	5.4
2006	Santa Clara County	826,300	789,300	37,000	4.5%
	California	17,718,500	16,851,600	866,900	4.9
2007	Santa Clara County	848,500	808,900	39,600	4.7%
	California	17,970,800	17,011,000	959,800	5.4
2008	Santa Clara County	874,100	822,000	52,100	6.0%
	California	18,251,600	16,938,300	1,313,200	7.2
2009	Santa Clara County	877,800	781,400	96,400	11.0%
	California	18,250,200	16,163,900	2,086,200	11.4

⁽¹⁾ March 2009 Benchmark, data not seasonally adjusted.
Source: State of California Employment Development Department.

The County is within the San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area (the “MSA”). The following table shows the annual average industry employment for MSA between 2004 and 2009.

ANNUAL AVERAGE INDUSTRY EMPLOYMENT
San Jose-Santa Clara-Sunnyvale MSA
2004-2009

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Farm	6,700	6,300	6,200	6,700	6,100	5,700
Mining and Logging	100	200	300	300	300	200
Construction	43,000	44,500	46,800	47,200	44,200	33,900
Manufacturing	167,200	164,900	163,700	166,700	168,000	155,700
Wholesale Trade	34,500	35,800	38,300	39,800	39,800	35,600
Retail Trade	82,900	83,900	85,800	86,400	84,400	78,900
Transportation, Warehousing and Utilities	13,500	13,100	13,000	13,500	13,500	12,000
Information	32,600	35,300	37,500	39,600	42,300	41,100
Financial Activities	35,400	36,300	37,100	37,200	34,600	31,700
Professional and Business Services	165,600	165,800	172,000	178,300	178,900	161,900
Education and Health Services	95,000	96,800	100,400	103,200	107,900	108,100
Leisure and Hospitality	70,900	72,800	75,200	76,800	78,100	74,300
Other Services	25,000	24,600	24,800	25,100	25,400	24,300
Government	<u>96,300</u>	<u>95,900</u>	<u>96,400</u>	<u>97,200</u>	<u>97,800</u>	<u>98,000</u>
Total All Industries	868,700	876,300	897,400	917,900	921,000	861,300

Note: The unemployment rates are calculated using unrounded data. Data may not add up due to rounding.

· Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor/management trade disputes. Employment reported by place of work. March 2009 Benchmark.

Source: California Employment Development Department.

Major Employers

The table below lists the major employers in the County as of January 2010.

MAJOR EMPLOYERS County of Santa Clara (In Alphabetical Order) January 2010

<i>Employer Name</i>	<i>Location</i>	<i>Industry</i>
Aaa-Affordable Tutoring	Santa Clara	Tutoring
Adobe Systems, Inc.	San Jose	Publishers-Computer Software
Advanced Micro Devices Inc.	Sunnyvale	Semiconductors & Related Devices
Apple Inc.	Cupertino	Computers – Electronic Mfrs.
Applied Materials Inc.	Santa Clara	Semiconductor Devices (Mfrs)
Avago Technologies Ltd.	San Jose	Exporters (Wholesale)
California's Great America	Santa Clara	Marketing Programs & Services
Christopher Ranch LLC	Gilroy	Garlic (Mfrs)
Cisco Systems Inc.	San Jose	Computer Peripherals (Mfrs)
E4e Inc.	Santa Clara	Venture Capital Companies
El Camino Hospital	Mountain View	Hospitals
Flextronics International	Milpitas	Solar Energy Equipment
Fujitsu It Holdings Inc	Sunnyvale	Computers – Wholesale
Fujitsu Ltd.	Sunnyvale	Venture Capital Companies
Goldsmith Seeds Inc.	Gilroy	Florists-Retail
Hewlett-Packard	Cupertino	Computer & Equipment Dealers
Hp Pavilion at San Jose	San Jose	Stadiums Arenas & Athletic Fields
Intel Corp.	Santa Clara	Semiconductor Devices (Mfrs)
Kaiser Permanente Medical Center	San Jose	Hospitals
Microsoft Corp.	Mountain View	Computer Software (Mfrs)
National Semiconductor Corp.	Santa Clara	Semiconductor Devices (Mfrs)
Net App Inc.	Sunnyvale	Computers – Electronics (Mfrs)
Oracle	Cupertino	Computer Software (Mfrs)
Santa Teresa Community Hospital	San Jose	Hospitals
VA Medical Center – Palo Alto	Palo Alto	Hospitals

Source: State of California Employment Development Department ALMIS Employer Database, 2010 2nd Edition.

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2006 through 2010.

BUILDING PERMITS AND VALUATIONS County Of Santa Clara for Years 2006 through 2010 (dollars in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Valuation</u>					
Residential	\$1,651,475	\$1,359,208	\$1,051,109	\$578,690	\$1,076,362
Nonresidential	<u>1,534,284</u>	<u>1,989,336</u>	<u>1,915,009</u>	<u>1,187,776</u>	<u>1,137,316</u>
Total Valuation	\$3,185,759	\$3,348,544	\$2,966,119	\$1,766,466	\$2,213,678
<u>New Dwelling Units</u>					
Single-Family	2,258	1,964	1,259	667	815
Multi-Family	<u>3,928</u>	<u>2,577</u>	<u>2,417</u>	<u>450</u>	<u>3,617</u>
Total:	6,186	4,541	3,676	1,117	4,432

⁽¹⁾ Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

Retail Trade

The following table shows a six-year history of taxable sales for the County.

TAXABLE SALES County Of Santa Clara 2004 through 2009 (dollars in thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2004	21,136	\$17,724,067	49,955	\$28,491,576
2005	20,820	18,903,508	48,903	30,193,802
2006	21,035	20,039,932	48,313	32,273,238
2007	20,480	20,790,258	47,651	33,663,448
2008	20,603	19,313,313	47,253	32,274,306
2009	26,695	16,385,238	43,396	27,427,709

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

Income

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

The following table summarizes the total effective buying income for the County of Santa Clara, the State and the United States for the period 2003 through 2009.

EFFECTIVE BUYING INCOME
County Of Santa Clara, State of California United States
2003 through 2009

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income⁽¹⁾</u>	<u>Median Household Effective Buying Income</u>
2003	Santa Clara County	\$46,787,053	\$62,584
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Santa Clara County	\$47,476,338	\$62,614
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Santa Clara County	\$46,910,278	\$63,293
	California	720,798,122	44,681
	United States	5,894,664,154	40,529
2006	Santa Clara County	\$49,261,000	\$65,458
	California	764,120,982	46,275
	United States	6,107,093,057	41,255
2007	Santa Clara County	\$52,377,985	\$67,498
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Santa Clara County	\$53,987,635	\$68,929
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Santa Clara County	\$55,561,405	\$71,077
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: The Nielsen Company (US), Inc.

Per capita personal income in the San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area (the “MSA”) grew by 1.18% from 2000 to 2009, representing an average annual compound growth of 0.13%. The following tables summarize per capita personal income for the MSA, the State of California and the United States for 2000 to 2009.

PER CAPITA PERSONAL INCOME
San Jose-Sunnyvale-Santa Clara, CA (Metropolitan Statistical Area),
State of California, and United States of America
2000-2009

<u>Year⁽¹⁾</u>	<u>Statistical Area</u>	<u>% Annual Change</u>	<u>State of California</u>	<u>% Annual Change</u>	<u>United States of America</u>	<u>% Annual Change</u>
2000	54,755	--	33,398	--	30,318	--
2001	49,170	(10.2)%	33,890	1.5%	31,145	2.7%
2002	45,887	(6.7)	34,045	0.5	31,462	1.0
2003	46,342	1.0	34,977	2.7	32,271	2.6
2004	48,826	5.4	36,904	5.5	33,881	5.0
2005	51,590	5.7	38,767	5.1	35,424	4.6
2006	55,827	8.2	41,567	7.2	37,698	6.4
2007	59,365	6.3	43,402	4.4	39,392	4.5
2008	58,531	(1.7)	43,852	1.0	40,166	2.0
2009	55,404	(5.0)	42,548	(3.0)	39,626	(1.3)

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2000-2009 reflect county population estimates available as of April 2010. All dollar estimates are in current dollars (not adjusted for inflation).

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

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal amount, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District, the County nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

APPENDIX F

TABLE OF ACCRETED VALUES