

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011**NEW ISSUE—BOOK-ENTRY ONLY****[Insured] Ratings: Standard & Poor's: "___"****Moody's: "___"****Fitch: "___"****See "Ratings" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes, except that no opinion is expressed as to the status of interest on any Series 2011A-1 Bond for any period that such Series 2011A-1 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2011A-1 Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. Bond Counsel observes, however, that interest on the Series 2011A-1 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-1 Bonds. See "TAX MATTERS" herein.



\$150,360,000*
CITY OF SAN JOSE, CALIFORNIA
Airport Revenue Bonds
Series 2011A-1 (AMT)

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

The City of San José Airport Revenue Bonds, Series 2011A-1 (AMT) (the "Series 2011A-1 Bonds") are being issued by the City of San José, California (the "City") (i) to refund Subordinated Commercial Paper Notes (as defined herein) originally issued to refund the City of San José Airport Revenue Bonds, Series 2004A and Series 2004B, (ii) to make a cash deposit to the General Account of the Bond Reserve Fund, and (iii) to pay the costs of issuing the Series 2011A-1 Bonds.

The Series 2011A-1 Bonds are being issued pursuant to the City Charter and pursuant to a Master Trust Agreement between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2011A-1 Bonds are limited obligations of the City payable solely from, and secured by a pledge of, General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, after Maintenance and Operation Costs are paid. The City has covenanted in the Master Trust Agreement not to issue any obligations secured by a pledge of General Airport Revenues senior to the claim of the Series 2011A-1 Bonds.

Interest on the Series 2011A-1 Bonds will be payable on March 1 and September 1, commencing September 1, 2011. The Series 2011A-1 Bonds are issuable as fully registered bonds and when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2011A-1 Bonds may be made in book-entry form only, in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates from the City or the Trustee representing their interest in the Series 2011A-1 Bonds purchased. So long as the Series 2011A-1 Bonds are held by DTC, the principal of and interest on the Series 2011A-1 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2011A-1 Bonds, as more fully described herein.

The Series 2011A-1 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein.

The principal of and interest on the Series 2011A-1 Bonds are secured solely by the General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, after Maintenance and Operation Costs are paid, and the City is not obligated to pay the Series 2011A-1 Bonds except from the General Airport Revenues and such other funds held or made available under the Master Trust Agreement. The General Fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the principal of or interest on the Series 2011A-1 Bonds. The Series 2011A-1 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the General Airport Revenues. The owners of the Series 2011A-1 Bonds have no right to compel the exercise of any taxing power of the City.

The cover page is not intended to be a summary of the terms of, or the security for, the Series 2011A-1 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Series 2011A-1 Bonds are offered when, as and if issued by the City and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain legal matters will be passed upon on behalf of the City by the City Attorney, and certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as disclosure counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP. It is expected that the Series 2011A-1 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July __, 2011.

Citi**BofA Merrill Lynch****Goldman, Sachs & Co.**

June __, 2011

* Preliminary, subject to change.

MATURITY SCHEDULE
\$150,360,000*
CITY OF SAN JOSE, CALIFORNIA
AIRPORT REVENUE BONDS
SERIES 2011A-1 (AMT)

<u>Maturity</u> <u>(March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP 798136</u> [†]
-------------------------------------	---------------	----------------------	--------------	----------------------------------

\$ _____ . . % Term Bonds due _____ priced to yield . . %* CUSIP _____¹

* Preliminary, subject to change.

[†] Copyright 2011, American Bankers Association. CUSIP data provided herein by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create or maintain a database of CUSIP descriptions or numbers and is not intended to create and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

CITY OF SAN JOSE

City Council Chuck Reed, Mayor

District 1:	Pete Constant, Member	District 6:	Pierluigi Oliverio, Member
District 2:	Ash Kalra, Member	District 7:	Madison Nguyen, Member (Vice Mayor)
District 3:	Sam Liccardo, Member	District 8:	Rose Herrera, Member
District 4:	Kansen Chu, Member	District 9:	Donald Rocha, Member
District 5:	Xavier Campos, Member	District 10:	Nancy Pyle, Member

Airport Commission

George Gange
Keith Graham*
Spencer Horowitz
Ian Kluff

Andrés Quintero*
John Salah*
Frank Sweeney*

City Officials

Debra Figone, City Manager
Dennis Hawkins, City Clerk
Sharon Winslow Erickson, City Auditor
Richard Doyle, City Attorney
William Sherry, Director of Aviation
Scott P. Johnson, Director of Finance

City Staff

Edward Shikada, Assistant City Manager
Kimberly B. Aguirre, Assistant Director of Aviation
Julia Harper Cooper, Assistant Director of Finance
Terri A. Gomes, Deputy Director, Finance and Administration
Arn Andrews, Treasury Division Manager
Charlene Sun, Debt Administrator
David Zolezzi, Financial Analyst
Evelyn Slotnick, Principal Accountant
Steven Lam, Senior Accountant

Professional Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee

The Bank of New York Mellon Trust
Company, N.A.
San Francisco, California

Financial Advisors

Public Financial Management
Largo, Florida

Public Resources Advisory Group
Los Angeles, California

Independent Airport Consultant

Ricondo & Associates, Inc.
Cincinnati, Ohio

* Through June 30, 2011, Frank Sweeney is Chair and John Salah is Vice Chair of the Airport Commission. Effective July 1, 2011, Keith Graham will become Chair and Andres Quintero will become Vice Chair of the Airport Commission.

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City 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 must not be relied upon as having been given or authorized by the City or the Underwriters.

Use of this Official Statement. 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 Series 2011A-1 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 does not constitute a contract between any owner of the Series 2011A-1 Bonds and the City or the Underwriters.

Preparation of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Norman Y. Mineta San José International Airport since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2011A-1 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Estimates and Forecasts. Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Document Summaries. All summaries of documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Official Statement to a document is qualified in its entirety by reference to such document, which is on file with the City. Copies of documents referred to herein are available from the Finance Department—Debt Management, City of San José City Hall, 200 East Santa Clara Street, San José, CA 95113; Phone (408) 535-7010; Fax (408) 292-6482. The City may impose a charge for copying, mailing and handling.

No Registration or Qualification. The issuance and sale of the Series 2011A-1 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Master Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions provided thereunder.

Airport and City Websites. The Airport and the City each maintain 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 Series 2011A-1 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A-1 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A-1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2011A-1 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF, AND THE PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT PRIOR NOTICE.

INTRODUCTION.....	1	Competition	28
General.....	1	Uncertainties of the Airline Industry	29
Purpose of the Series 2011A-1 Bonds	2	Bankruptcy Risks	30
The City and the Airport	2	Information Concerning the Airlines.....	32
Security for the Series 2011A-1 Bonds	3	Regulatory Uncertainties	33
Report of the Independent Airport		Availability of Funding From PFC	
Consultant	3	Revenues and CFC Revenues	34
Continuing Disclosure	4	Seismic Hazards	36
Miscellaneous.....	4	Natural Gas Transmission Pipelines.....	36
PLAN OF REFUNDING.....	4	Flooding.....	37
ESTIMATED SOURCES AND USES OF		RATINGS.....	38
PROCEEDS	5	TAX MATTERS.....	38
DESCRIPTION OF THE SERIES 2011A-1		LITIGATION	40
BONDS.....	5	LEGAL MATTERS	41
Form and Denomination	5	CONTINUING DISCLOSURE.....	41
Optional Redemption.....	6	FINANCIAL ADVISORS.....	41
Mandatory Redemption	6	UNDERWRITING.....	42
Selection of Series 2011A-1 Bonds for		FINANCIAL STATEMENTS.....	42
Redemption	7	MISCELLANEOUS	43
Notice of Redemption.....	7	APPENDIX A-THE NORMAN Y.	
Effect of Redemption.....	7	MINETA SAN JOSE	
Rescission of Notice of Redemption	8	INTERNATIONAL AIRPORT	A-1
Purchase of Series 2011A-1 Bonds	8	APPENDIX B-REPORT OF THE	
SECURITY FOR THE BONDS	8	INDEPENDENT AIRPORT	
Pledge of General Airport Revenues	8	CONSULTANT	B-1
Other Available Funds, CFC Revenues		APPENDIX C-CITY OF SAN JOSE	
and Available PFC Revenues	10	PENSION PLANS	C-1
Flow of Funds	11	APPENDIX D-SUMMARY OF CERTAIN	
Rate Maintenance Covenant.....	15	PROVISIONS OF THE MASTER	
Bond Reserve Fund	17	TRUST AGREEMENT	D-1
Additional Series of Bonds	19	APPENDIX E-AUDITED FINANCIAL	
Subordinate Obligations.....	21	STATEMENTS OF THE NORMAN Y.	
Special Facility Revenues	22	MINETA SAN JOSE	
Other Security Features of the Master		INTERNATIONAL AIRPORT FOR	
Trust Agreement.....	23	FISCAL YEAR ENDED JUNE 30, 2010 ...	E-1
OUTSTANDING OBLIGATIONS AND		APPENDIX F-PROPOSED FORM OF	
DEBT SERVICE SCHEDULE.....	23	BOND COUNSEL OPINION	F-1
CERTAIN FACTORS AFFECTING THE		APPENDIX G-FORM OF CONTINUING	
AIRPORT	27	DISCLOSURE CERTIFICATE	G-1
General Factors Affecting Airline and		APPENDIX H-SUMMARY OF CERTAIN	
Passenger Activity	27	PROVISIONS OF THE AIRLINE	
Uncertainties in the Air Service Area	28	LEASE AGREEMENT	H-1
		APPENDIX I-DTC AND THE	
		BOOK-ENTRY SYSTEM.....	I-1

OFFICIAL STATEMENT
RELATING TO
\$150,360,000*
CITY OF SAN JOSE, CALIFORNIA
AIRPORT REVENUE BONDS
SERIES 2011A-1 (AMT)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and appendices, is to provide information concerning the sale and delivery by the City of San José, California (the “City”) of \$150,360,000* aggregate principal amount of City of San José Airport Revenue Bonds, Series 2011A-1 (AMT) (the “Series 2011A-1 Bonds”).

Pursuant to Sections 200 and 1220 of the Charter of the City of San José (the “City Charter”), the City has the power to issue revenue bonds for airport facilities. The Series 2011A-1 Bonds are to be issued and secured pursuant to the City Charter and Chapter 4.38 of the City Municipal Code (collectively, the “Law”) and pursuant to the Master Trust Agreement, dated as of July 1, 2001, between the City and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, as trustee (the “Trustee”), as supplemented by the First Supplemental Trust Agreement, dated as of July 1, 2001 (the “First Supplemental Trust Agreement”), by the Second Supplemental Trust Agreement, dated as of December 1, 2002 (the “Second Supplemental Trust Agreement”), by the Third Supplemental Trust Agreement and the Fourth Supplemental Trust Agreement, each dated as of June 1, 2004 (respectively, the “Third Supplemental Trust Agreement” and the “Fourth Supplemental Trust Agreement”), by the Fifth Supplemental Trust Agreement, dated as of September 1, 2007 (the “Fifth Supplemental Trust Agreement”), by the Sixth Supplemental Trust Agreement, dated as of May 1, 2009 (the “Sixth Supplemental Trust Agreement”), and by a Seventh Supplemental Trust Agreement, to be dated as of July 1, 2011 (the “Seventh Supplemental Trust Agreement”), each between the City and the Trustee (collectively, the “Master Trust Agreement”). All capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings assigned to such terms in the Master Trust Agreement. See “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT—Certain Definitions” in Appendix D.

The City also expects to issue \$263,570,000* aggregate principal amount of City of San José Airport Revenue Bonds, Series 2011B (Taxable) (the “Series 2011B Bonds”) pursuant to the Master Trust Agreement, as further supplemented by an Eighth Supplemental Trust Agreement, following the issuance of the Series 2011A-1 Bonds, and prior to the end of 2011. The Series 2011B Bonds will be secured on a parity with the Series 2011A-1 Bonds and the other Bonds issued under the Master Trust Agreement. See “—Security for the Series 2011A-1 Bonds” and “SECURITY FOR THE BONDS” herein. The Series 2011B Bonds are not being offered pursuant to this Official Statement.

* Preliminary, subject to change.

Purpose of the Series 2011A-1 Bonds

The Series 2011A-1 Bonds are being issued (i) to refund Subordinated Commercial Paper Notes (as defined herein) originally issued to refund the City of San José Airport Revenue Bonds, Series 2004A and Series 2004B (the “Series 2004A/B Bonds”), which in turn had been issued to finance a portion of the costs of designing and constructing certain security-related improvements at the Norman Y. Mineta San José International Airport (the “Airport”), (ii) to make a cash deposit to the General Account of the Bond Reserve Fund, and (iii) to pay the costs of issuing the Series 2011A-1 Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF PROCEEDS.”

The City and the Airport

The City is the tenth largest city in the United States and the third largest city in California, with a population of approximately 945,942 according to the U.S. Census Bureau’s 2010 Census. The territory of the City encompasses approximately 178 square miles. Located at the southern end of San Francisco Bay, San José is the county seat of the County of Santa Clara (the “County”), also known as “Silicon Valley.”

The Airport is a commercial service and general aviation airport owned and operated by the City. The Airport is classified by the Federal Aviation Administration (the “FAA”) as a “medium hub” airport (an airport that enplanes at least 0.25% but less than 1.0% of the total number of passenger boardings at all commercial service airports in the United States). The Airport is located approximately two miles north of downtown San José and serves the California counties of Alameda, Monterey, San Benito, San Mateo, Santa Clara and Santa Cruz (the “Air Service Area”). In the City’s fiscal year ended June 30, 2010 (“fiscal year 2009-10”), the Airport served approximately 4.1 million enplaned passengers (passengers embarking on airplanes, representing approximately 50% of the total number of passengers enplaning and deplaning at the Airport). Approximately 97% of enplaned passengers at the Airport in fiscal year 2009-10 were passengers beginning their trips at the Airport (often referred to as “origin and destination” or “O&D” passengers), as opposed to passengers connecting through the Airport to other cities. See “PASSENGER SERVICES AND OPERATIONS” in Appendix A.

Passenger airline traffic at the Airport declined markedly during fiscal years 2001-02 and 2002-03, increased slightly during fiscal years 2003-04, 2004-05 and 2005-06, and then again declined markedly between fiscal years 2006-07 and 2009-10. In the first nine months of fiscal year 2010-11, enplanements grew by 2.3% compared to the same period in the prior fiscal year. In contrast, from fiscal year 2005-06 to fiscal year 2009-10, the Airport’s total operating revenues increased by approximately 16.7%, while total maintenance and operation expenses, excluding depreciation and amortization, decreased by approximately 8.6%. See “CERTAIN FACTORS AFFECTING THE AIRPORT” below, “APPENDIX A—AIRPORT FINANCIAL MATTERS” and “REPORT OF THE INDEPENDENT AIRPORT CONSULTANT” in Appendix B.

Thirteen passenger airlines and three air cargo carriers provided scheduled service at the Airport as of June 15, 2011. Passenger airlines serving the Airport and leasing space directly from the City are operating at the Airport pursuant to the terms of an operating agreement and terminal building lease with the City (the “Airline Lease Agreement”). All passenger airlines, with the exception of Volaris, are operating at the Airport as Signatory Airlines (as defined in Appendix A). Volaris currently operates at the Airport as a Non-Signatory Airline (as defined in Appendix A). See “LEASE AND OPERATING AGREEMENTS—Airline Agreements” in Appendix A and “REPORT OF THE INDEPENDENT AIRPORT CONSULTANT—Financial Analysis—Airline Revenues” in Appendix B.

Security for the Series 2011A-1 Bonds

The Series 2011A-1 Bonds are limited obligations of the City secured by a pledge of General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, after the payment of Maintenance and Operation Costs. As of June 1, 2011, the City had outstanding \$6,540,000 aggregate principal amount of City of San José Airport Revenue Refunding Bonds Series 1998A (the “Series 1998A Bonds”), \$131,335,000 aggregate principal amount of City of San José Airport Revenue Bonds, Series 2001A (the “Series 2001A Bonds”), \$55,980,000 aggregate principal amount of City of San José Airport Revenue Refunding Bonds, Series 2002A and Series 2002B (collectively, the “Series 2002 Bonds”), \$107,000,000 aggregate principal amount of City of San José Airport Revenue Bonds, Series 2004C and Series 2004D (collectively, the “Series 2004C/D Bonds”) and \$725,015,000 aggregate principal amount of City of San José Airport Revenue Bonds, Series 2007A (the “Series 2007A Bonds”) and Series 2007B (the “Series 2007B Bonds” and, together with the Series 2007A Bonds, the “Series 2007 Bonds”). The Series 1998A Bonds were issued under Resolution No. 57794, as amended and supplemented (the “1984 Resolution”), adopted by the City Council on October 2, 1984. On June 26, 2001, in connection with the issuance of the Series 2001A Bonds, the City Council adopted a resolution amending and restating the 1984 Resolution as the Master Trust Agreement. The Series 1998A Bonds, the Series 2001A Bonds, the Series 2002 Bonds, the Series 2004C/D Bonds and the Series 2007 Bonds (collectively, the “Outstanding Bonds”) are secured under the Master Trust Agreement on a parity with the Series 2011A-1 Bonds. The Series 2011A-1 Bonds, together with the Outstanding Bonds and any other future parity bond obligations issued under the Master Trust Agreement (the “Additional Bonds”), are referred to in this Official Statement as the “Bonds.” See “SECURITY FOR THE BONDS.”

Following the issuance of the Series 2011A-1 Bonds, and prior to the end of 2011, the City expects to issue the Series 2011B Bonds in the aggregate principal amount of approximately \$263,570,000* as Additional Bonds. The Series 2011B Bonds are not being offered pursuant to this Official Statement.

The principal of and interest on the Bonds, including the Series 2011A Bonds, are secured solely by the General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, after Maintenance and Operation Costs are paid, and the City is not obligated to pay the Bonds except from the General Airport Revenues and such other funds held or made available under the Master Trust Agreement. The General Fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the General Airport Revenues. The Owners of the Bonds have no right to compel the exercise of any taxing power of the City. See “SECURITY FOR THE BONDS.”

Report of the Independent Airport Consultant

In connection with the issuance of the Series 2011A-1 Bonds, Ricondo & Associates, Inc., as independent consultant to the City (the “Independent Airport Consultant”), has prepared the Report of the Independent Airport Consultant, dated [_____, 2011] and included in this Official Statement as Appendix B. The Independent Airport Consultant also will prepare the additional bonds certificate required under the Master Trust Agreement for the issuance of the Series 2011A-1 Bonds. The Report of the Independent Airport Consultant presents, among other things, the Independent Airport Consultant’s

* Preliminary, subject to change.

projections of activity and financial results of the Airport through the City's fiscal year ending June 30, 2017 and the assumptions upon which the projections are based. The Report of the Independent Airport Consultant is an integral part of this Official Statement and should be read in its entirety. See "REPORT OF THE INDEPENDENT AIRPORT CONSULTANT" in Appendix B.

Continuing Disclosure

The City is covenanting for the benefit of the Holders and Beneficial Owners of the Series 2011A-1 Bonds to provide certain financial information and operating data and to give notices of certain events if material, to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

Miscellaneous

The summaries of or references to the Master Trust Agreement, the Series 2011A-1 Bonds, the Airline Lease Agreement and all other documents and instruments referred to in this Official Statement do not purport to be comprehensive or definitive. Each reference to any of the foregoing is qualified in its entirety by reference to each such document or instrument, copies of which are available for inspection at the Finance Department—Debt Management, City of San José City Hall, 200 East Santa Clara Street, San José, CA 95113.

Neither the City's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

The information herein is subject to change without notice, and neither the 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 Airport or the City since the date hereof.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or owners of any of the Series 2011A-1 Bonds. The Series 2011B Bonds are not being offered pursuant to this Official Statement.

PLAN OF REFUNDING

Proceeds of the Series 2011A-1 Bonds are to be used to refund \$129,578,000* aggregate principal amount of Subordinated Commercial Paper Notes originally issued to refund the Series 2004A/B Bonds, which in turn had been issued to finance a portion of the costs of the acquisition, construction, equipping, financing, reconstruction, development and modification of airport terminal and ancillary facilities at the

* Preliminary, subject to change.

Airport as part of the Airport’s capital development program, including designing and constructing certain security-related improvements at the Airport. See “APPENDIX A—THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT.” Proceeds of the Series 2011A-1 Bonds are also to be used to make a cash deposit to the General Account of the Bond Reserve Fund, and to pay the costs of issuing the Series 2011A-1 Bonds.

ESTIMATED SOURCES AND USES OF PROCEEDS

The following table sets forth the estimated uses of proceeds of the Series 2011A-1 Bonds.

	<u>Series 2011A-1</u>
Sources of Funds	
Principal Amount	\$ _____
Amounts on deposit in Prior Bonds Bond Fund	_____
Net Original Issue Premium/(Discount)	_____
Total Sources	_____
Uses of Funds:	
Note Payment Funds ⁽¹⁾	\$ _____
General Account of the Bond Reserve Fund ⁽²⁾	_____
Costs of Issuance ⁽³⁾	_____
Total Uses	\$ _____

- (1) Proceeds of the Series 2011A-1 Bonds will pay the principal of the refunded Subordinated Commercial Paper Notes. Interest due on the maturing Subordinated Commercial Paper Notes will be paid from General Airport Revenues.
- (2) Represents amount needed to bring the total of cash and sureties on deposit in the General Account to the General Account Required Reserve upon issuance of the Series 2011A-1 Bonds. See “SECURITY FOR THE BONDS—Bond Reserve Fund.”
- (3) Includes underwriters’ discount, rating agency fees, legal and other professional fees and other costs of issuing the Series 2011A-1 Bonds.

DESCRIPTION OF THE SERIES 2011A-1 BONDS

Form and Denomination

The Series 2011A-1 Bonds are to be dated the date of their initial delivery and are to mature and bear interest as set forth on the inside cover page of this Official Statement. Interest on the Series 2011A-1 Bonds is to be payable on each March 1 and September 1 (each a “Payment Date”), commencing September 1, 2011. The interest on the Series 2011A-1 Bonds is to be payable to the person whose name appears on the bond registration books of the Trustee as the Owner thereof (the “Owner”) as of the close of business on the fifteenth day of the month immediately preceding an interest Payment Date (DTC so long as the book-entry system with DTC is in effect), whether or not such day is a business day, such interest to be paid by check mailed by first-class mail on such Payment Date to such Owner at such address as appears on such registration books. Any Owner of at least \$1,000,000 aggregate principal amount of Series 2011A-1 Bonds may elect to have interest payable by wire transfer to the bank account number on file with the Trustee (provided the Owner makes a written request to the Trustee before the fifteenth day of the month preceding each Payment Date).

Each of the Series 2011A-1 Bonds is to bear interest from the Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the sixteenth day of the month next preceding any Payment Date to the Payment Date, inclusive, in which event it is to bear interest from such Payment Date, or unless it is authenticated on or before August 15, 2011, in which

event it is to bear interest from the date of its initial delivery; provided, however, that if, at the time of authentication of any Series 2011 Bond, interest is in default on the Outstanding Series 2011A-1 Bonds, such Series 2011 Bond is to bear interest from the Payment Date to which interest has previously been paid or made available for payment on the Outstanding Series 2011A-1 Bonds.

The Series 2011A-1 Bonds are to be issued in denominations of \$5,000 and any integral multiple thereof. The Series 2011A-1 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., or such other name as may be requested by an authorized representative of DTC, as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2011A-1 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2011A-1 Bonds purchased. So long as Cede & Co., or such other name as may be requested by an authorized representative of DTC, is the registered owner of the Series 2011A-1 Bonds, as nominee of DTC, references to the Owners or registered owners mean Cede & Co. and not the Beneficial Owners of the Series 2011A-1 Bonds.

So long as Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the registered owner of the Series 2011A-1 Bonds, principal of and premium, if any, and interest on the Series 2011A-1 Bonds are payable by wire transfer by the Trustee to Cede & Co., or such other name as may be requested by an authorized representative of DTC, as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See "DTC AND THE BOOK-ENTRY SYSTEM" in Appendix I.

Optional Redemption

The Series 2011A-1 Bonds maturing on and after March 1, 20__ are subject to redemption prior to their stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date on or after March 1, 20__, at a redemption price equal to 100% of the principal amount of the Series 2011A-1 Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, but without premium.

Mandatory Redemption

The Series 2011A-1 Bonds stated to mature on March 1, 20__ are subject to mandatory sinking fund redemption from the 2011A-1 Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, but without premium, on March 1 of the following years and in the following principal amounts:

Series 2011A-1 Bonds Due _____, 20__		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;"><u>Year</u></td> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;"><u>Principal Amount</u></td> </tr> </table>	<u>Year</u>	<u>Principal Amount</u>
<u>Year</u>	<u>Principal Amount</u>	

† Maturity date

The Series 2011A-1 Bonds stated to mature on _____, 20__ are subject to mandatory sinking fund redemption from the 2011A-1 Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, but without premium, on March 1 of the following years and in the following principal amounts:

Series 2011A-1 Bonds Due _____, 20__

Year

Principal Amount

† Maturity date

If such Series 2011A-1 Bonds have previously been purchased or redeemed at the option of the City, such excess principal amounts of such redeemed or purchased Series 2011A-1 Bonds are to be credited against the remaining Series 2011A-1 sinking fund principal payments as directed by the City.

Selection of Series 2011A-1 Bonds for Redemption

Whenever less than all of the Series 2011A-1 Bonds of any maturity are called for redemption and subject to the operational arrangements with DTC then in effect, the Trustee is required to select the Series 2011A-1 Bonds of such maturity to be redeemed, from the outstanding Series 2011A-1 Bonds of such maturity, by lot. The Trustee is required to notify the City promptly in writing of the numbers of the Series 2011A-1 Bonds so selected for redemption.

Notice of Redemption

A notice of redemption is required to be mailed to the respective registered Owners of any Series 2011A-1 Bonds (DTC so long as the book-entry system with DTC is in effect) designated for redemption at their addresses appearing on the bond registration books, at least 20 days but not more than 60 days prior to the redemption date, which notice, in the case of each Series 2011A-1 Bond called only in part, the portion of the principal thereof that is to be redeemed; provided that neither failure to mail such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of such Series 2011A-1 Bonds.

Effect of Redemption

When notice of redemption has been duly given, and moneys for payment of the redemption price are held by the Trustee, the Series 2011A-1 Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2011A-1 Bonds so called for redemption will cease to accrue, said Series 2011A-1 Bonds will cease to be entitled to any benefit or security under the Master Trust Agreement, and the Owners of said Series 2011A-1 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee is required, upon surrender for payment of any of said Series 2011A-1 Bonds, to pay such Series 2011A-1 Bonds at the redemption price as aforesaid, together with interest accrued thereon to the date fixed for redemption.

The Master Trust Agreement requires that all Series 2011A-1 Bonds redeemed pursuant to the provisions described above be cancelled upon surrender and that no Series 2011A-1 Bonds be issued in place thereof.

Rescission of Notice of Redemption

The City may condition any notice of optional redemption upon receipt of funds or any other event. The City may, at its option, prior to the date fixed for redemption in any notice of optional redemption rescind and cancel such notice of optional redemption.

Purchase of Series 2011A-1 Bonds

The City may, at its option, direct the Trustee to purchase any Series 2011A-1 Bond at public or private sale as and when and at such prices not in excess of the par value thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the applicable interest account established for such Series 2011A-1 Bonds) as the Trustee may in its discretion determine, and all Series 2011A-1 Bonds so purchased are to be cancelled by the Trustee.

SECURITY FOR THE BONDS

Pledge of General Airport Revenues

Pursuant to the Master Trust Agreement, the City has irrevocably pledged the General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, first, to the payment of Maintenance and Operation Costs of the Enterprise, and second, to the payment of principal of and premium, if any, and interest on the Bonds. See “—Flow of Funds.” The facilities comprising the Enterprise, however, have not been mortgaged to secure payment of the Bonds. Under certain circumstances described below under “Other Available Funds, CFC Revenues and Available PFC Revenues,” Other Available Funds and Available PFC Revenues may be pledged to and/or used to pay debt service on the Bonds. Although PFC Revenues and federal grant amounts (other than security-related, operating grants) generally do not fall within the definition of pledged General Airport Revenues, PFC Revenues and federal grant amounts may be used at the discretion of the Airport, and are expected to be used but not pledged, to pay a portion of the Debt Service on the Series 2001A Bonds, the Series 2004C/D Bonds, the Series 2007A Bonds and the Series 2011A-1 Bonds. PFC Revenues and federal grant amounts are not pledged, and may not be used, to pay debt service on the Series 1998A Bonds or on the Series 2002 Bonds. To date, a portion of the proceeds received by the City from federal grants and PFC Revenues has been applied to pay for the annual debt service on the Series 2001A Bonds. See “—Other Available Funds, CFC Revenues and Available PFC Revenues” below and “AIRPORT FINANCIAL MATTERS” in Appendix A.

The Master Trust Agreement generally defines “Enterprise” as meaning the Airport, as now located partially within and partially outside the City, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the City in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the City Charter and the Law. The term “Enterprise,” unless otherwise specifically limited in any Supplemental Trust Agreement, also includes all other airports, airfields, landing places, heliports or places for the take-off and landing of aircraft, and all airport facilities appurtenant thereto, wheresoever situated, subsequently owned or operated by the City.

The Master Trust Agreement generally defines “General Airport Revenues” as meaning all revenues, income, receipts and moneys derived by the City from the operation of the Enterprise, including

income derived from landing fees, the sale or use of airplane fuel, all other rents and charges made to or for the account of airplanes making use of the Enterprise, receipts from agriculture, automobile service stations and automobile parking on Airport land, proceeds of loss of use or business interruption insurance, and all receipts from leases and concessions, including rents, percentages of income or receipts for business conducted on any property in the Enterprise or from services performed by the City in connection with or incidental to the operation of the Enterprise. General Airport Revenues also includes all interest, profits or other income derived from the deposit or investment of any moneys in the General Revenue Fund or any account therein established under the Master Trust Agreement. General Airport Revenues expressly excludes:

- (a) any money received by or for the account of the City from the levy or collection of taxes,
- (b) moneys received from the State of California and the United States of America to the extent required to be deposited in restricted funds and/or used for purposes inconsistent with the terms of the Master Trust Agreement,
- (c) lease deposits and security deposits,
- (d) moneys required to be paid to the State of California and the United States of America pursuant to agreements with the City,
- (e) moneys received from insurance proceeds or settlements (except as otherwise provided in the Master Trust Agreement) or the sale of or upon the taking by or under the threat of eminent domain of all or any part of the Enterprise,
- (f) proceeds from Bonds or Subordinate Obligations issued by the City or proceeds from loans, indebtedness or other obligations entered into by the City,
- (g) moneys or securities received by the City as gifts or grants, to the extent the use thereof is restricted by the donor or grantor to purposes inconsistent with their use as General Airport Revenues under the terms of the Master Trust Agreement,
- (h) CFC Revenues (generally, customer facilities charges; see Appendix D for a more complete definition and see “Other Available Funds, CFC Revenues and Available PFC Revenues” below),
- (i) PFC Revenues (see “Other Available Funds, CFC Revenues and Available PFC Revenues” below),
- (j) Special Facility Revenues (see “Special Facility Revenues” below),
- (k) Unrealized Items (for a definition of this term, see Appendix D),
- (l) Qualified Hedge Termination Payments (for a definition of this term, see Appendix D),
and
- (m) Cargo facility charges or similar fees imposed on any of cargo operators, cargo facilities or cargo parcels.

None of the City’s agreements with its Airport tenants, including the Airline Lease Agreement, is or will be assigned or pledged to the Trustee as security for the Bonds, including the Series 2011A-1

Bonds. See “LEASE AND OPERATING AGREEMENTS” in Appendix A and “SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENT” in Appendix H.

Other Available Funds, CFC Revenues and Available PFC Revenues

Other Available Funds and CFC Revenues. Under the Master Trust Agreement, the City may for any period elect to designate as Other Available Funds any amounts available to the City but not otherwise a part of General Airport Revenues, including without limitation CFC Revenues, but not PFC Revenues (together with the Rolling Coverage Amount (see definition below under “Rate Maintenance Covenant”) and other fund balances as described below, the “Other Available Funds”), by filing with the Trustee a written statement designating the amount and source of such Other Available Funds and containing a statement that the Other Available Funds are legally available to be applied as Other Available Funds during such period. After the filing of such written statement, the Other Available Funds designated therein are required to be deposited in the General Revenue Fund and applied as provided in the Master Trust Agreement. Notwithstanding any other provision, if such Other Available Funds are subject to any prior pledge or lien, the application thereof to the payment of Debt Service will be subordinate to the terms of such pledge or lien and the written statement designating the Other Available Funds is required to indicate the amount of the obligation payable in such fiscal year (currently the period beginning July 1 and ending June 30) from the Other Available Funds pursuant to such pledge or lien. Additionally, on the first day of each fiscal year, the Rolling Coverage Amount and any additional beginning uncommitted balance of the General Revenue Fund (see “Rate Maintenance Covenant” below) will automatically be considered Other Available Funds unless the City provides otherwise in a written statement of the City delivered to the Trustee.

In addition to receiving certain lease payments (such payments constituting General Airport Revenues), the City expects to receive CFC Revenues related to the operations of the five on-Airport rental car companies (representing a total of ten rental car brands) in the Consolidated Rental Car Facility (the “ConRAC”) and intends to apply the CFC Revenues to the payment of a portion of the debt service on the Series 2011B Bonds it anticipates issuing in the future and certain other Bonds. Under the Master Trust Agreement, CFC Revenue is excluded from the definition of General Airport Revenues and is not pledged to the payment of the Bonds, including the Series 2011A-1 Bonds; however, CFC Revenue may, at the option of the City, be designated as Other Available Funds to pay debt service on obligations issued to fund the planning, development and construction of certain Airport facilities including, but not limited to, the ConRAC and related facilities. Pursuant to the Airport’s agreements with the rental car companies, the rental car companies are required to make lease payments in an amount equal to the annual debt service and transportation expenses associated with the ConRAC minus CFC Revenue. Facility rent will thus vary each year, depending on the total amount of CFC Revenue collected, but the amounts derived from lease payments and CFC Revenue are expected to be equal to the annual debt service and transportation expenses associated with the ConRAC and related facilities. See “CERTAIN FACTORS AFFECTING THE AIRPORT—Bankruptcy Risks—Airline or Other Tenant Bankruptcies” and “—Availability of Funding from PFC Revenues and CFC Revenues” herein. See also “APPENDIX A—LEASE AND OPERATING AGREEMENTS—Parking, Rental Car, Concession and Other Agreements—Rental Car Agreements,” “—AIRPORT FINANCIAL MATTERS—Customer Facility Charges,” “APPENDIX B—RENTAL CAR ACTIVITY AND CUSTOMER FACILITY CHARGE REVENUE” and “—FINANCIAL ANALYSIS.”

Available PFC Revenues. Under the Master Trust Agreement, the City may for any period elect to designate any PFC Revenues as “Available PFC Revenues” by filing with the Trustee a written statement designating the amount of such Available PFC Revenues and containing a statement that the Available PFC Revenues are legally available to be applied to pay Debt Service during such period. After the filing of a written statement, the Available PFC Revenues designated therein are required to be

deposited in the Interest Fund and the Principal Fund, as directed by the City, and used to pay Debt Service. Notwithstanding any other provision, if such Available PFC Revenues are subject to any prior pledge or lien, the application thereof to the payment of Debt Service will be subordinate to the terms of such pledge or lien and the written statement of the City designating the Available PFC Revenues is required to indicate the amount of the obligation payable in such fiscal year from the Available PFC Revenues pursuant to such pledge or lien.

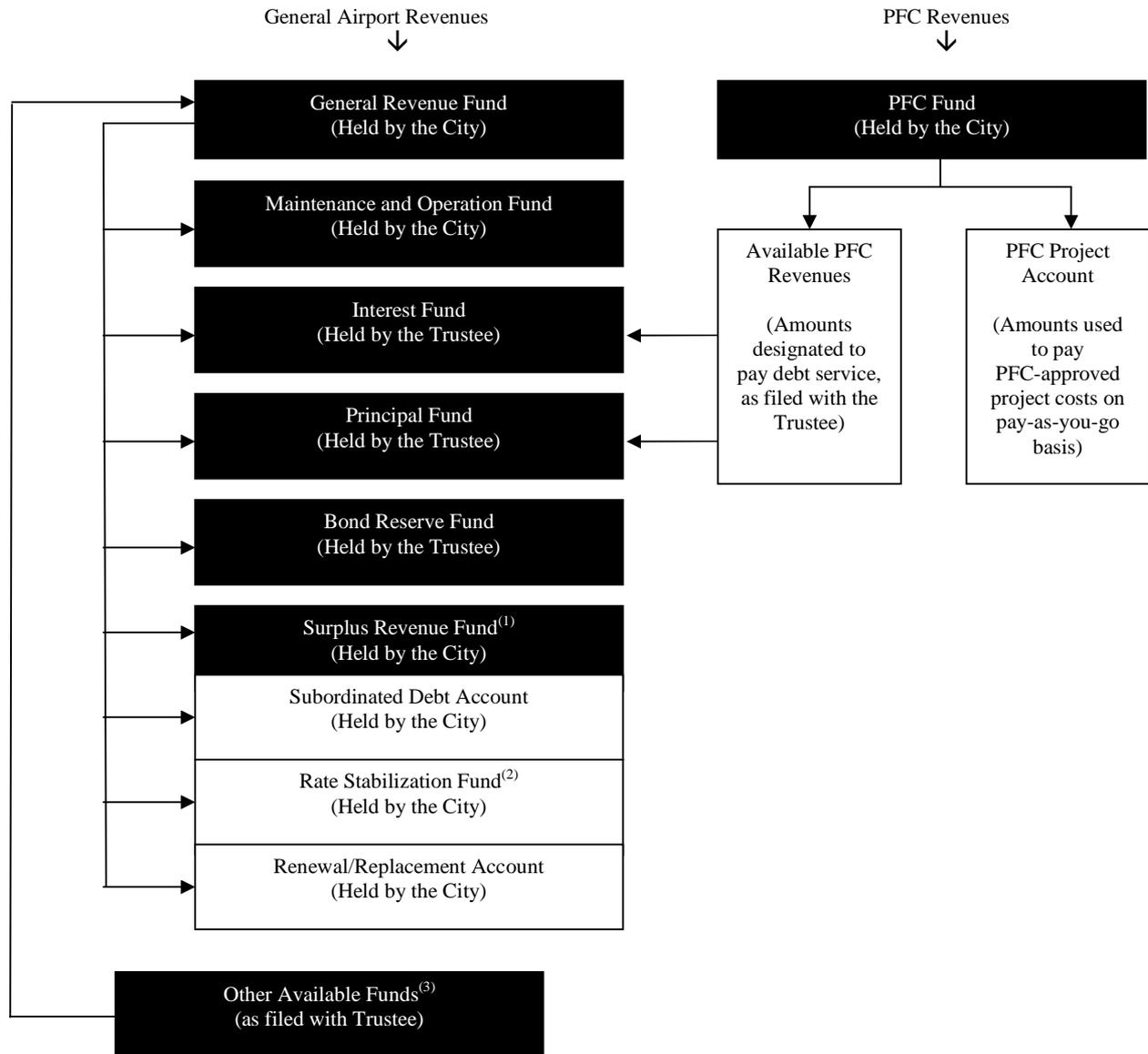
Use of Available PFC Revenues to pay Debt Service reduces the amount of Debt Service for purposes of compliance with the Rate Maintenance Covenant under the Master Trust Agreement. In addition, if Available PFC Revenues are pledged to pay Debt Service, then the amount of such Debt Service is reduced by the amount of such pledged Available PFC Revenues for purposes of compliance with the additional debt tests under the Master Trust Agreement. See “Rate Maintenance Covenant” and “Additional Series of Bonds” below. Currently, Available PFC Revenues are expected to be used, but are not pledged, to pay a portion of the Debt Service on the Series 2001A Bonds, the Series 2004C/D Bonds, the Series 2007 Bonds and the Series 2011A-1 Bonds. “PFC Revenues” are defined under the Master Trust Agreement as passenger facility charges collected by the City pursuant to applicable law, as amended from time to time, and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues. See “AIRPORT FINANCIAL MATTERS” and “CAPITAL DEVELOPMENT AT THE AIRPORT” in Appendix A. See also “CERTAIN FACTORS AFFECTING THE AIRPORT—Bankruptcy Risks—Airline or Other Tenant Bankruptcies” and “—Availability of Funding from PFC Revenues and CFC Revenues” herein. See also “APPENDIX B—FINANCIAL ANALYSIS.”

Flow of Funds

Pursuant to the Master Trust Agreement, all General Airport Revenues are required to be deposited, upon receipt, by the City in a special fund in the City Treasury designated as the “City of San José Airport Revenue Fund” (the “General Revenue Fund”). Such fund was established by an ordinance of the City pursuant to Resolution No. 45333, adopted on March 12, 1974, as amended and supplemented (the “1974 Resolution”), and continues to be maintained under the Master Trust Agreement. For a summary of the flow of funds under the Master Trust Agreement, see Table 1.

The Master Trust Agreement requires that moneys or deposits in the General Revenue Fund shall be applied solely in accordance with the order of priorities established by the Master Trust Agreement. The first priority against the General Revenue Fund is the payment of Maintenance and Operation Costs of the Enterprise. The second priority is interest on the Bonds, followed by principal of the Bonds, including any Guaranteed Obligations and Regularly Scheduled Hedge Payments under a Qualified Hedge (unless otherwise provided in a Supplemental Trust Agreement). All moneys in the General Revenue Fund are required either to be set aside by the City or to be paid over to the Trustee and deposited in one or more of the funds described below. The Interest Fund, the Principal Fund and the Bond Reserve Fund are required to be maintained by the Trustee, and the Maintenance and Operation Fund and the Surplus Revenue Fund are required to be maintained by the City.

Table 1
Norman Y. Mineta San José International Airport
Summary of Flow of Funds Under the Master Trust Agreement



(1) Amounts remaining in the Surplus Revenue Fund at the end of each fiscal year (after required deposits have been made to the accounts therein) may be released to the City and used for any lawful Airport purpose.

(2) Formerly named the Safety Net Account.

(3) Other Available Funds includes the rolling coverage amount, uncommitted balances in the General Revenue Fund at the end of each Fiscal Year, CFC Revenues that are used to pay debt service, and grant funds that are used to pay debt service.

If at any time the City is in payment default under the Master Trust Agreement, the City is required, within five days after receipt of the written request of the Trustee or of a Municipal Bond Insurer or of the Owners of 10% of the aggregate principal amount of Bonds Outstanding, to transfer to the Trustee all moneys held in all funds maintained by the City under the Master Trust Agreement, and thereafter is required, at least monthly, to transfer all General Airport Revenues received by the City to the Trustee until such default is cured.

General Airport Revenues are required to be so transferred to and deposited in the following respective funds in the following order of priority, the requirements of each such fund to be satisfied before any transfer is made to any fund subsequent in priority. In general, if General Airport Revenues are insufficient for the full deposit requested in any fund, the Trustee is required to apply the amount available pro rata in proportion to the amount required in each account within such fund.

(a) Maintenance and Operation Fund. On or before the first day of each month, the City is required to set aside out of the General Revenue Fund and to deposit in the Maintenance and Operation Fund an amount equal to (i) one-twelfth of the amount budgeted by the City in the original or a revised budget for Maintenance and Operation Costs of the Enterprise for the then-current fiscal year or (ii) such other amount as the City determines is necessary to pay the Maintenance and Operations Cost of the Enterprise in such month. Moneys in the Maintenance and Operation Fund are required to be used to pay the Maintenance and Operation Costs of the Enterprise as they become due and payable.

(b) Interest Fund. After making the deposit required by subsection (a) above, the City is required to transfer to the Trustee for deposit in the Interest Fund: (i) on or before the second Business Day before each Payment Date, the amount necessary to make the required interest payment on the Outstanding Series 2011A-1 Bonds, Series 2007 Bonds and Series 2004C/D Bonds on such Payment Date; (ii) on or before each Payment Date, the amount necessary to make the required interest payment on the Outstanding Series 2001A Bonds and Series 2002 Bonds on such Payment Date; (iii) with respect to the Outstanding Series 1998A Bonds, on or before the first day of each month, an amount equal to at least one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Series 1998A Bonds during the next ensuing six months (excluding any moneys deposited in the Interest Fund from the proceeds of any series of such Bonds to pay interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Series 1998A Bonds is on deposit in such fund; and (iv) the amounts required to be deposited in the Interest Fund with respect to any Additional Bonds pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds. Moneys in each account of the Interest Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the applicable series of Bonds as it becomes due and payable.

(c) Principal Fund. After making the deposits required by subsections (a) and (b) above, the City is required to transfer to the Trustee for deposit in the Principal Fund: (i) on or before the second Business Day before each Payment Date, the amount necessary to make the required principal payment on the Outstanding Series 2011A-1 Bonds, Series 2007 Bonds and Series 2004C/D Bonds on such Payment Date; (ii) on or before each Payment Date, the amount necessary to make the required principal payment on the Outstanding Series 2001A Bonds and Series 2002 Bonds on such Payment Date; (iii) with respect to the Outstanding Series 1998A Bonds, on or before the first day of each month, an amount equal to at least one-twelfth of the aggregate Principal Installments becoming due and payable on the Series 1998A Bonds on the next succeeding March 1; and (iv) the amounts required to be deposited in the Principal Fund with respect to the Principal Installments for any Additional Bonds and any associated Guaranteed Obligation Requirements pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds. Moneys in each account of the Principal Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the Principal Installments on the applicable series of Bonds as they become due and payable, the Guaranteed Obligation Requirements with respect to

such Bonds when due and payable, and the purchase price of Bonds purchased pursuant to the Master Trust Agreement.

(d) Bond Reserve Fund. After making the deposits required by subsections (a), (b) and (c) above, on or before the first day of each month, the City is required to transfer to the Trustee for deposit in the Bond Reserve Fund such amount as will be required to maintain in each account in the Bond Reserve Fund a balance equal to the applicable Required Reserve for such account; provided that at the written direction of the City, the amount to be replenished to any account within the Bond Reserve Fund after a draw on such account to pay debt service on any Bonds may be divided into no more than 12 equal monthly installments. Moneys in each account within the Bond Reserve Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest on the Bonds for which such account within the Bond Reserve Fund is available as provided in the Master Trust Agreement or in any Supplemental Trust Agreement in the event that no other moneys are available therefor, or for payment or redemption of all of such Bonds then outstanding. See “—Bond Reserve Fund.”

(e) Surplus Revenue Fund. On the fifteenth day of each month, the City is required to determine the moneys remaining in the General Revenue Fund attributable to a prior calendar month which are available for transfer to the Surplus Revenue Fund after having set aside and transferred all amounts required to be set aside or transferred by the Trustee or the City as provided in the Master Trust Agreement, and the City will, at a minimum, transfer and deposit in the Surplus Revenue Fund an amount equal to the lesser of (i) the amount, if any, required to be deposited in the Subordinated Debt Account pursuant to the provisions of any Subordinate Obligations payable therefrom, or (ii) the amount remaining in the General Revenue Fund. The City may retain any moneys in excess of such minimum amount in the General Revenue Fund. All moneys in the Surplus Revenue Fund are required to be deposited in the following respective special accounts within the Surplus Revenue Fund in the following order of priority:

- (1) Subordinated Debt Account;
- (2) Rate Stabilization Fund (formerly called the “Safety Net Account”); and
- (3) Renewal and Replacement Account.

The inability of the City to make any deposit described by this paragraph (e) by reason of a lack of General Airport Revenues will not constitute an event of default under the Master Trust Agreement. If at any time any moneys in the Surplus Revenue Fund are needed to pay the interest on or principal of the Bonds, or to pay Maintenance and Operation Costs of the Enterprise for the then-current fiscal year for which no adequate budgeted amount from General Airport Revenues was provided by the City, the City may transfer such moneys from any such account (except the Subordinated Debt Account) for such purposes. The procedures under the Master Trust Agreement with respect to funding and application of amounts within the Surplus Revenue Fund may be amended at any time without the consent of the Bondholders.

(1) Subordinated Debt Account. On or before the fifteenth day of each month, the City is required to set aside out of the Surplus Revenue Fund and deposit in the Subordinated Debt Account until there have been deposited in each month in the Subordinated Debt Account an amount equal to the amount, if any, required to be paid prior to the next scheduled deposit for all expenses, indebtedness, and other charges on all Subordinate Obligations payable therefrom. If in any month insufficient moneys are available in the Surplus Revenue Fund to provide for the required deposit into the Subordinated Debt Account, such deficit must be made up from moneys

in any account in the Surplus Revenue Fund subsequent in priority to the Subordinated Debt Account.

(2) Rate Stabilization Fund. The Rate Stabilization Fund (formerly, the Safety Net Account) is established to facilitate the deposit and collection of moneys from the rates and charges of users of the facilities of the Enterprise in the amounts and at the times needed to satisfy the financial requirements of the Enterprise and to insure the City's ability to meet its obligations under the Master Trust Agreement. The moneys deposited in the Rate Stabilization Fund may be accumulated from any rates, fees, charges or surcharges which the City allocates or designates for the purposes of this Account (herein called the "Allocated General Airport Revenues"). Collection of moneys into the Rate Stabilization Fund may be implemented by the City, in its discretion, upon a determination that due to unusual or exceptional circumstances it is necessary to accumulate and reserve sufficient amounts of moneys to assure the proper operation of the Enterprise and the City's compliance with the Master Trust Agreement. By way of example only, and not as a limitation, such a determination may be made upon a projected significant imbalance of rates and charges for various facilities of the Enterprise, projected extraordinary vacancy rates for certain facilities of the Enterprise, unusual discrepancies in activity levels which lead to anomalies in the calculation of rates and charges, or seismic disturbances or other natural disasters affecting the operation of the Enterprise. Moneys in the Rate Stabilization Fund also may be applied by the City to facilitate administration of revenue sharing or rate stabilization provisions of contractual agreements with airlines or other tenants of the Airport.

Moneys in the Rate Stabilization Fund are required to be used and withdrawn by the City from time to time for deposit into the Maintenance and Operation Fund, the Interest Fund and the Principal Fund, and the City may budget the payment of Maintenance and Operation Costs of the Enterprise and payment of principal of and interest on Bonds from moneys in the Rate Stabilization Fund.

(3) Renewal and Replacement Account. On or before the fifteenth day of each month, the City is required to set aside out of the Surplus Revenue Fund and deposit in the Renewal and Replacement Account all remaining moneys in the Surplus Revenue Fund (after the deposits described by paragraphs (e)(1) and (e)(2) above have been made) until such time as there have been deposited in the Renewal and Replacement Account in each fiscal year such amount as has been budgeted by the City for deposit into such account in such fiscal year. Moneys in the Renewal and Replacement Account are to be withdrawn by the City from time to time and deposited in a special fund of the City known as the Airport Renewal and Replacement Fund, as directed by a resolution of the Council.

All moneys remaining in the Surplus Revenue Fund on the fifteenth day of the last month of each fiscal year (after the deposits described by paragraphs (e)(1), (e)(2), and (e)(3) above have been made), may be transferred by the City to any other fund or account of the City to be used for any other lawful aviation-related purpose of the City; provided, however, the City may not withdraw any moneys held by the City in the Surplus Revenue Fund if and when the City is in default under the Master Trust Agreement.

Rate Maintenance Covenant

The City has covenanted in the Master Trust Agreement that it will, at all times while any of the Bonds remain outstanding, manage its operations and establish, fix, prescribe and collect rentals, rates, fees and charges in connection with the services and facilities furnished by the Enterprise in each fiscal year so that the sum of (i) Net General Airport Revenues (generally, General Airport Revenues less

Maintenance and Operations Costs of the Enterprise, but not including such Maintenance and Operations Costs as may be paid from available moneys other than General Airport Revenues; see Appendix D for a summary of the definition of the term “Maintenance and Operation Costs of the Enterprise”) for such fiscal year, plus (ii) any Other Available Funds for such fiscal year after making reasonable allowances for contingencies and errors in the estimates, will be at least sufficient to pay the sum of:

(a) the Annual Debt Service for such fiscal year on all of the Bonds as it becomes due and payable;

(b) all other payments required in such fiscal year for compliance with the terms of the Master Trust Agreement (except any requirement to apply funds with respect to the Surplus Revenue Fund), and of any Supplemental Trust Agreement providing for the issuance of Additional Bonds pursuant to the Master Trust Agreement; and

(c) all other payments relating to Subordinate Obligations of the City in such fiscal year which are charges, liens or encumbrances upon, or payable from, the General Airport Revenues.

In addition to the requirements set forth above, the City will, at all times while any of the Bonds remain outstanding, manage its operations and establish, fix, prescribe and collect rentals, rates, fees and charges in connection with the services and facilities furnished by the Enterprise so that (i) the sum of (1) Net General Airport Revenues for each fiscal year, plus (2) any Other Available Funds for such fiscal year is equal to at least 125% of Annual Debt Service for such fiscal year, and (ii) the sum of (1) Net General Airport Revenues for each fiscal year, plus (2) any Other Available Funds for such fiscal year (excluding, however, the Rolling Coverage Amount and any amounts not generated from actual cash receipts during the fiscal year unless such amounts are included in the initial or amended budget for the Enterprise in that fiscal year and in the initial or amended calculation of airline and other rates and charges for such fiscal year), is equal to at least 100% of Annual Debt Service for such fiscal year. “Annual Debt Service” is defined under the Master Trust Agreement as the Debt Service for the fiscal year less the Available PFC Revenues for such fiscal year. See Appendix D for a definition of “Debt Service.” “Rolling Coverage Amount” is defined under the Master Trust Agreement as the uncommitted amounts in the Maintenance and Operation Fund or the General Revenue Fund, in an amount not to exceed 25% of Annual Debt Service in any fiscal year, that are available to pay Maintenance and Operation Costs of the Enterprise or Debt Service on Bonds and that are designated as the Rolling Coverage Amount by the City.

The Master Trust Agreement provides that the City may make adjustments from time to time in such rentals, rates, fees and charges and may make such classification thereof as it deems necessary during such fiscal year, but shall not reduce such rentals, rates, fees and charges below those then in effect unless the Net General Airport Revenues and Other Available Funds from such reduced rates will at all times be sufficient to meet the requirements described above. Such covenants are collectively referred to in this Official Statement as the “Rate Maintenance Covenant.”

In general, if the City does not achieve financial results that comply with the Rate Maintenance Covenant in any fiscal year, the City is required under the Master Trust Agreement to hire during the next fiscal year a Qualified Independent Airport Consultant to make recommendations as to a revision of the rates, fees and charges, or Maintenance and Operations Costs of the Enterprise, or methods of operations of the Enterprise, if any, that will result in producing the amounts so required in the then-current fiscal year. Non-compliance with the Rate Maintenance Covenant is not an Event of Default under the Master Trust Agreement unless it occurs in two consecutive fiscal years.

Bond Reserve Fund

The Master Trust Agreement requires the establishment and maintenance of a Bond Reserve Fund and requires the City to deposit to the General Account or to another Reserve Account within the Bond Reserve Fund the amount required to maintain in such account a balance equal to the applicable Required Reserve for such account. The General Account of the Bond Reserve Fund secures the Outstanding Series 1998A Bonds, Series 2001A Bonds and Series 2002 Bonds (the “Existing General Account Bonds”), and, at the election of the City, may secure Additional Bonds issued in the future. The Series 2004C/D Bonds and the Series 2007 Bonds are, respectively, secured by a separate 2004 Reserve Account and a separate 2007 Reserve Account, each described below. The Series 2011A-1 Bonds will be secured by the General Account.

The General Account. The Master Trust Agreement provides for the establishment and maintenance of an account designated as the “General Account” in the Bond Reserve Fund. Amounts in the General Account are available only to pay principal of and interest on (i) the Existing General Account Bonds, (ii) upon their issuance, the Series 2011A-1 Bonds, and (iii) any Additional Bonds for which the General Account is made available pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds. The General Account is not available to pay the Series 2004C/D Bonds or the Series 2007 Bonds.

The City is required to maintain in the General Account a balance equal to (i) the General Account Required Reserve with respect to the Existing General Account Bonds and (ii) upon their issuance, the Series 2011A-1 Bonds. The General Account Required Reserve with respect to the Existing General Account Bonds is currently satisfied with a combination of approximately \$10.7 million of cash, an approximately \$4.25 million surety bond from Ambac Indemnity Corporation (“Ambac”) that expires on March 1, 2018, and an approximately \$6.56 million surety bond from National Public Finance Guaranty Corporation (“NPFPG”), as successor to MBIA Insurance Corporation, that expires on March 1, 2016. Each of Moody’s Investors Service (“Moody’s”), Fitch Ratings (“Fitch”) and Standard and Poor’s Ratings Service (“S&P”) downgraded the claims-paying ability and financial strength of Ambac and NPFPG subsequent to the deposit of the respective surety bonds into the General Account and, in certain cases, withdrew their ratings on Ambac or NPFPG. Information concerning NPFPG is available in reports and statements filed with the Securities and Exchange Commission (the “SEC”). This information is available on the SEC’s website at <http://www.sec.gov>. Such information is not incorporated by reference herein. Ambac is no longer providing current financial and operating information. At the time of issuance of the Series 2011A-1 Bonds, a cash deposit of \$15.036 million* will be made to the General Account from the proceeds of the Series 2011A-1 Bonds.

The Master Trust Agreement does not require that the rating of any surety bond held in the General Account be maintained after the date of its deposit to the General Account. Until March 1, 2016, when the NPFPG surety bond expires, no additional deposits to the General Account of the Bond Reserve Fund are expected to be required to satisfy the General Account Required Reserve (unless the General Account is drawn upon to pay principal of or interest on Bonds or is made available to any Additional Bonds in the future). If no additional Bonds are issued and no additional amounts were to be deposited in or paid from the General Account of the Bond Reserve Fund prior to March 1, 2016, the City expects that, upon expiration of the NPFPG surety bond, amounts on deposit in the General Account would not be sufficient to satisfy the General Account Required Reserve at that time. Therefore, the City expects that it will be required to deposit approximately \$6.56 million* to the General Account from accumulated Airport surplus funds or a Qualified Reserve Facility in the same amount. If no additional Bonds are

* Preliminary, subject to change.

issued and no additional amounts were to be deposited in or paid from the General Account of the Bond Reserve Fund prior to the expiration of the surety bond provided by Ambac on March 1, 2018, the City expects to be required to deposit approximately \$4.25 million* (in addition to the approximately \$6.6 million* deposit following the expiration of the NCFG surety bond described above) to the General Account from accumulated Airport surplus funds or provide a Qualified Reserve Facility in the same amount.

The City may also be required to make a deposit of cash or another Qualified Reserve Facility in order to maintain the Required Reserve in the General Account in the case of non-payment under, or cancellation of, either surety bond, including as a result of the liquidation of Ambac or NCFG. See “—Flow of Funds—Bond Reserve Fund.”

As provided in the Master Trust Agreement, so long as the City is not in default under the Master Trust Agreement, any amount in any account within the General Account in excess of the General Account Required Reserve is to be withdrawn from the General Account, transferred to the Interest Fund and applied as a credit against the deposits required to be transferred to the Interest Fund as described above under “—Flow of Funds.”

Other Reserve Accounts. Pursuant to any Supplemental Trust Agreement providing for the issuance of Additional Bonds, the Trustee may establish a separate account within the Bond Reserve Fund available only for the payment of such series of Additional Bonds and which account will have its own Required Reserve. The Master Trust Agreement provides that if such a separate account is created, said Additional Bonds do not have any claim on the other accounts maintained in the Bond Reserve Fund.

As permitted by the Master Trust Agreement, an account designated the “2004 Reserve Account” and an account designated the “2007 Reserve Account” have each been established within the Bond Reserve Fund. Amounts in the 2004 Reserve Account are available only to pay the Series 2004C/D Bonds and any Additional Bonds for which the 2004 Reserve Account is made available pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds. Amounts in the 2007 Reserve Account are available only to pay the Series 2007 Bonds and any Additional Bonds for which the 2007 Reserve Account is made available pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds. Neither the 2004 Reserve Account nor the 2007 Reserve Account is available to pay or secure the Series 2011A-1 Bonds.

Amounts Held in the Bond Reserve Fund. The amounts held in the accounts previously established within the Bond Reserve Fund are shown in the following table.

* Preliminary, subject to change.

Table 2
Bond Reserve Requirement Funding Sources
As of May 31, 2011

Account	Account Valuation	Surety Policy Limit	Surety Policy Provider
General Account ⁽¹⁾	\$10,669,390.80	\$ 6,557,882.20 ⁽²⁾	NPF ⁽³⁾
		4,251,000.00 ⁽⁴⁾	Ambac
General Account Totals:	\$10,669,390.80	\$10,808,882.20	
2004 Reserve Account ⁽⁵⁾	\$13,208,581.00		
2007 Reserve Account ⁽⁶⁾	\$45,715,750.84		

(1) Secures the Series 1998A Bonds, the Series 2001A Bonds and the Series 2002 Bonds. Upon issuance of the Series 2011A-1 Bonds, the General Account will also secure the Series 2011A-1 Bonds and a portion of the proceeds of the Series 2011A-1 Bonds, in the amount of \$15,036,000* will be deposited into the General Account.

(2) Expires on March 1, 2016.

(3) Successor to MBIA Insurance Corporation.

(4) Expires on March 1, 2018.

(5) Amounts in the 2004 Reserve Account are available only to pay the Series 2004C/D Bonds and any Additional Bonds for which the 2004 Reserve Account is made available pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

(6) Amounts in the 2007 Reserve Account are available only to pay the Series 2007 Bonds and any Additional Bonds for which the 2007 Reserve Account is made available pursuant to the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Source: City of San José.

Additional Series of Bonds

General. The Master Trust Agreement provides that in addition to any Outstanding Bonds, the City may by Supplemental Trust Agreement issue other series of Additional Bonds payable from the General Airport Revenues on a parity with Outstanding Bonds and secured by a lien upon and pledge of such General Airport Revenues equal to the lien and pledge securing the Outstanding Bonds, but only upon compliance by the City with certain general conditions under the Master Trust Agreement, (additional conditions are described further below):

(a) The City will not be in default under the Master Trust Agreement or any Supplemental Trust Agreements or such default shall be cured by the delivery of such Additional Bonds.

(b) The aggregate principal amount of Additional Bonds proposed to be issued shall not exceed any limitation imposed by law, the Master Trust Agreement or any Supplemental Trust Agreement.

(c) If the Supplemental Trust Agreement providing for the issuance of such series of Additional Bonds provides that such series of Additional Bonds is required to be secured by the General Account or another account of the Bond Reserve Fund, such Supplemental Trust Agreement shall require that the Bond Reserve Fund established pursuant to the Master Trust Agreement be increased, if and to the extent necessary to an amount at least equal to the Required Reserve for such account. Said deposit

* Preliminary, subject to change.

may be satisfied from such proceeds or any other source, as provided in said Supplemental Trust Agreement.

(d) Principal Installments are required to be established in amounts sufficient to provide for the retirement of all of the Additional Bonds of such series on or before their respective maturity dates.

(e) The conditions for the issuance of such Additional Bonds contained in the Master Trust Agreement and in any applicable Supplemental Trust Agreement are complied with as certified by a Written Statement of the City.

Conditions for the Issuance of Additional Bonds. Subject to compliance with the Master Trust Agreement, the City may issue and the Trustee may authenticate and deliver Additional Bonds provided that the City satisfies the conditions described below. In the case of the Series 2011A-1 Bonds, the City intends to comply with the alternative described in paragraph (c)(ii) below. On the delivery date of the Series 2011A-1 Bonds the Independent Airport Consultant will deliver to the Trustee the additional bonds written report and the City will deliver the additional bonds certificate, both as described in paragraph (c)(ii) below, in connection with the issuance of the Series 2011A-1 Bonds.

(a) If the proceeds derived from the sale of an earlier series of Bonds which are available for the payment of the cost of acquisition and construction of any portion of a Project to be financed from such proceeds, together with any other available funds, are not sufficient to pay the entire cost of acquisition and construction of such portion of such Project, and it is necessary to provide additional funds for completing the acquisition and construction of such portion of such Project and paying the cost thereof in an amount determined by the City, a series of Additional Bonds may be issued by the City in a principal amount not to exceed 15% of the principal amount of the prior series of Bonds to which such Additional Bonds relate.

(b) For the purpose of refunding any Bonds issued under the Master Trust Agreement, a series of Additional Bonds may be issued by the City only if (i) the proceeds of the Additional Bonds of such series (except for proceeds used to pay costs of issuance, accrued interest and to fund any required reserve for such series of Additional Bonds) are required to be used, together with any other available moneys, to pay or defease all or a portion of the Bonds then outstanding, and (ii) the Annual Debt Service for the Additional Bonds of such series shall be less than or equal to the Annual Debt Service on the Bonds to be paid or defeased in each year that such Additional Bonds are to be outstanding.

(c) For any other airport purpose authorized under the Master Trust Agreement, provided, that either:

(i) the Trustee receives a Certificate of the City setting forth a calculation showing that, for either (A) the most recently completed fiscal year for which audited financial statements are available preceding the issuance of such series of Additional Bonds, or (B) such other consecutive twelve month period during the eighteen months immediately preceding the issuance of such series of Additional Bonds selected by the City, the sum of (i) Net General Airport Revenues for such period, plus (ii) any Other Available Funds (subject to the provisions described in paragraph (d) below) for such period is at least 125% of Maximum Annual Debt Service after the proposed Additional Bonds are issued; provided that if a period other than a fiscal year is used to make the above calculation, the Certificate of the City is required to include a statement to the effect that the City does not expect Net General Airport Revenues for the fiscal year in which such Certificate is delivered to be lower than the Net General Airport Revenues as calculated in such Certificate; or

(ii) the Trustee receives a written report of a Qualified Independent Airport Consultant setting forth estimates of General Airport Revenues, Maintenance and Operation Costs of the Enterprise, Net General Airport Revenues, Other Available Funds and Available PFC Revenues, for the longer of (X) the next five fiscal years, or (Y) if any portion of the proceeds of such series of Additional Bonds is to be used to finance construction and capitalized interest on such Additional Bonds for the expected period of construction, the three fiscal years following the fiscal year in which the City estimates such portion of the Project will be completed. The Trustee must also receive a Certificate of the City setting forth the Annual Debt Service on all Bonds (including such Additional Bonds) for each of the fiscal years covered by said report, including Annual Debt Service as estimated in such Certificate of the City with respect to future series of Bonds, if any, which the City estimates will be required to complete payment of the estimated cost of construction of such portion of the Project and any other uncompleted portion of the Project from which the report projects additional revenues. Such Certificate of the City must demonstrate that the sum of (A) the estimated Net General Airport Revenues in each of the fiscal years set forth in the report of the Qualified Independent Airport Consultant, plus (B) the Other Available Funds, if any, pledged by the City to the payment of the Bonds as provided in subsection (d), is at least equal to 125% of Annual Debt Service for the corresponding fiscal years as set forth in the Certificate of the City.

(d) With respect to both paragraphs (c)(i) and (c)(ii) above, the sum of (i) Net General Airport Revenues plus (ii) Other Available Funds (excluding, however, the Rolling Coverage Amount) will not be less than 100% of Maximum Annual Debt Service, Annual Debt Service or Debt Service for a 12-month period, as the case may be. In addition, Other Available Funds and Available PFC Revenues may not be included in the calculations pursuant to subsections (c)(i) or (c)(ii) above unless the City has pledged such Other Available Funds or Available PFC Revenues, as the case may be, to the payment of Debt Service until the final maturity date of the Bonds and such Additional Bonds pursuant to a Supplemental Trust Agreement; provided, however, that the City may at any time release such Other Available Funds or Available PFC Revenues, in whole or in part, from such pledge, pursuant to a Supplemental Trust Agreement, to the extent that the Net General Airport Revenues and any Other Available Funds or Available PFC Revenues not so released are sufficient to meet the coverage calculations described by paragraphs (c)(i) or (c)(ii) above; and provided further, that prior to any such release, the City will have obtained a confirmation from each Rating Agency then rating on the Bonds, that such release will not adversely affect the rating on the Bonds. Any such pledge need not be a first lien on the source of revenue from which such Other Available Funds or Available PFC Revenues are derived, but the City must certify that it expects that any prior pledge of such Other Available Funds or Available PFC Revenues will not cause the amount of Other Available Funds or Available PFC Revenues in any fiscal year to be less than the amount so pledged.

Subordinate Obligations

In November 1999, the City authorized the issuance from time to time of Subordinated Commercial Paper Notes (the "Subordinated Commercial Paper Notes") that are secured by a lien on General Airport Revenues that is subordinate to the lien of the Bonds. In 2008, the City further authorized the Subordinated Commercial Paper Notes to be issued in an aggregate principal amount of up to \$600 million outstanding at any one time. The Subordinated Commercial Paper Notes are additionally secured by five separate letters of credit issued by JPMorgan Chase Bank, National Association, Bank of America, N.A., Wells Fargo Bank, N.A., Citibank, N.A. and Lloyds TSB Bank plc, acting through its New York Branch, respectively, (collectively, the "Banks") pursuant to five separate reimbursement agreements between the City and each of the Banks. The letters of credit are stated to expire on January 11, 2013, January 11, 2013, January 13, 2014, January 12, 2012 and September 7, 2011, respectively, unless extended or terminated earlier. The City does not expect to renew the letter of credit

issued by Lloyds TSB Bank plc, acting through its New York Branch, following the expiration of the letter of credit on September 7, 2011. The table below sets forth the provider of each letter of credit, the letter of credit expiration date and the principal component of the initial stated amount of each letter of credit.

Table 3
Principal Component of Initial Stated Amounts of Letters of Credit
Supporting Subordinated Commercial Paper Notes
As of May 31, 2011

Letter of Credit Provider	Expiration Date	Initial Stated Amount
Bank of America, N.A.	January 11, 2013	\$76,545,294
Citibank, N.A.	January 12, 2012	\$100,000,000
JPMorgan Chase Bank, National Association	January 11, 2013	\$100,000,000
Lloyds TSB Bank plc.	September 7, 2011	\$128,585,807
Wells Fargo Bank, N.A.	January 13, 2014	\$75,000,000

Source: City of San José.

An event of default under a reimbursement agreement would entitle the respective Bank to demand that no additional Subordinated Commercial Paper Notes be issued, that the City reimburse the respective Bank immediately for draws under the applicable letter of credit and that all other amounts owed by the City to the respective Bank be accelerated and become due immediately. Events of default under the reimbursement agreements include, among others: a default under the Master Trust Agreement or the issuing and paying agent agreement for the Subordinated Commercial Paper Notes; non-payment; a breach of a covenant; bankruptcy; and ratings events including a suspension or withdrawal (other than a withdrawal requested by the City for non-credit-related reasons) by any of Moody’s, Fitch or S&P of their ratings on any of the Bonds, downgrades by any of Moody’s, Fitch or S&P of its ratings on any of the Bonds below “Baa2,” “BBB” and “BBB,” respectively, or, during the term of the Citibank reimbursement agreement, downgrades by any of Moody’s, Fitch or S&P of its ratings on any of the Bonds below “Baa1,” “BBB+” and “BBB+,” respectively, for a period of 120 consecutive calendar days. All amounts payable by the City to the Banks under the reimbursement agreements are secured by a lien on General Airport Revenues subordinate to the lien of the Bonds.

Although the Master Trust Agreement does not limit the City’s right to issue additional Subordinate Obligations, in one or more of the City’s reimbursement agreements, the City agreed that it would not issue any additional indebtedness secured by General Airport Revenues if a term loan under such reimbursement agreement is outstanding (except to repay all such term loans) and that it would not issue any additional indebtedness secured by Net General Airport Revenues unless the City certifies that certain financial metrics are projected to be met. The City also agreed that it would not issue additional Bonds unless proceeds of the Bonds are used to refund Outstanding Bonds or reduce the aggregate principal amount of the Subordinated Commercial Paper Notes program.

Special Facility Revenues

The Master Trust Agreement provides that, the City may enter into contracts, leases, subleases or other agreements (“Special Facility Agreements”) pursuant to which the City or the other parties to such agreements will agree to construct a building or facility incident or related to the Enterprise and

designated in such agreement as a Special Facility (a “Special Facility”) on land constituting part of the Enterprise or will agree to acquire or construct a Special Facility on land not then constituting part of the Enterprise (which land if not then owned or leased by the City may be acquired for such purpose), or to acquire and remodel, renovate or rehabilitate a building, structure, or other facility (including the site thereof) for a Special Facility under the following conditions:

(1) No Special Facility may be constructed or acquired and subject to a Special Facility Agreement under the Master Trust Agreement if the result of the use or occupation of such Special Facility under the Special Facility Agreement would result in a reduction of Net General Airport Revenues and Other Available Funds below the minimum amount of Net General Airport Revenues and Other Available Funds covenanted to be produced and maintained in accordance with the Master Trust Agreement as determined by a certificate of the City (see “Rate Maintenance Covenant” above); and

(2) Any financing for the Special Facility is required to be secured as provided in the Special Facility Agreement and may not be secured by or payable from the General Airport Revenues or any of the funds or accounts held under the Master Trust Agreement. The Special Facility Agreement may provide the terms and conditions under which any revenues of the Special Facility will become General Airport Revenues.

There are currently no Special Facilities at the Airport.

Other Security Features of the Master Trust Agreement

The Master Trust Agreement contains other covenants that relate to the security for the Bonds, including covenants concerning the sale of property, insurance, eminent domain proceeds, events of default and remedies, defeasance and other matters. See Appendix D for a summary of certain of these provisions.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Table 4 provides information as of June 1, 2011 relating to each issue of the Outstanding Bonds and the City’s currently outstanding Subordinated Commercial Paper Notes.

Table 4
Norman Y. Mineta San José International Airport
Certain Information Related to the Outstanding Bonds and Subordinated Commercial Paper Notes
As of June 1, 2011

Name of Issue	Date of Issuance	Original Principal Amount	Outstanding Principal Amount	Final Maturity Date
Senior Lien				
City of San José Airport Revenue Refunding Bonds, Series 1998A	January 27, 1998	\$ 14,015,000	\$ 6,540,000	March 1, 2018
City of San José Airport Revenue Bonds, Series 2001A	August 14, 2001	158,455,000	131,335,000	March 1, 2031
City of San José Airport Revenue Refunding Bonds, Series 2002A	January 9, 2003	53,600,000	53,600,000	March 1, 2018
City of San José Airport Revenue Refunding Bonds, Series 2002B	January 9, 2003	37,945,000	2,380,000	March 1, 2012
City of San José Airport Revenue Bonds, Series 2004C	June 24, 2004	75,730,000	72,730,000	March 1, 2026
City of San José Airport Revenue Bonds, Series 2004D	June 24, 2004	34,270,000	34,270,000	March 1, 2028
City of San José Airport Revenue Bonds, Series 2007A	September 13, 2007	545,755,000	545,755,000	March 1, 2047
City of San José Airport Revenue Bonds, Series 2007B	September 13, 2007	179,260,000	179,260,000	March 1, 2037
Total Senior Lien		\$1,099,030,000	\$1,025,870,000	
Subordinate Lien				
San José International Airport Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, Series C	Varies	-- ⁽¹⁾	\$288,344,000 ⁽¹⁾	Rolling maturities of 270 days or less
San José International Airport Subordinated Commercial Paper Notes, Series D, Series E, Series F	Varies	-- ⁽¹⁾	128,585,000 ⁽¹⁾	Rolling maturities of 270 days or less
Total Subordinate Lien			\$416,929,000	

(1) The Subordinated Commercial Paper Notes are currently authorized to be issued from time to time in seven separate Series, with multiple subseries, in a maximum aggregate principal amount of \$480,130,000 outstanding at any one time, based on the letters of credit currently supporting the Subordinated Commercial Paper Notes. The City Council has authorized the issuance of up to \$600,000,000 of Subordinated Commercial Paper Notes, but has not at this time authorized further liquidity support for the Subordinated Commercial Paper Notes.

Source: City of San José.

Senior Lien. Tables 5-1 and 5-2 show the debt service requirements on the Outstanding Bonds and the Series 2011A-1 Bonds.

Table 5-1
Series 2011A-1 Bonds Debt Service Requirements

Year Ended June 30	Principal Requirements on Series 2011A-1 Bonds	Interest Requirements on Series 2011A-1 Bonds	Aggregate Debt Service on Series 2011A-1 Bonds ⁽¹⁾
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			
2047			
Totals ⁽¹⁾			

(1) Totals may not add due to rounding.

Source: City of San José.

**Table 5-2
Airport Revenue Bonds Debt Service Requirements⁽¹⁾**

Year Ended June 30	Total Debt Service Requirements on Outstanding Bonds⁽¹⁾	Total Debt Service Requirements on Series 2011A-1 Bonds	Total Debt Service Requirements on All Bonds⁽¹⁾⁽²⁾
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			
2047			
Totals⁽²⁾			

(1) Excludes debt service on Subordinated Commercial Paper Notes and that portion of Series [1998A] Bonds to be refunded using proceeds of the Series 2011A-1 Bonds.

(2) Totals may not add due to rounding.

Source: City of San José.

Subordinate Lien. The Subordinated Commercial Paper Notes are currently authorized to be issued from time to time in seven separate Series, with multiple subseries, in a maximum aggregate principal amount of \$480,130,000 outstanding at any one time, based on the letters of credit currently supporting the Subordinated Commercial Paper Notes. The City Council has authorized the issuance of up to \$600,000,000 of Subordinated Commercial Paper Notes, but has not at this time authorized further liquidity support for the Subordinated Commercial Paper Notes. See “SECURITY FOR THE BONDS—Subordinate Obligations.”

CERTAIN FACTORS AFFECTING THE AIRPORT

The following is a general discussion of certain factors that may affect activities at the Airport and does not purport to be an exhaustive listing of factors and other considerations affecting the Airport. There are other factors not discussed below, in the Appendices hereto or elsewhere in this Official Statement that may affect activities at the Airport.

General Factors Affecting Airline and Passenger Activity

Future airline traffic at the Airport and demand for air travel will be affected by, among other things, the growth of or decline in the population and economy of the Air Service Area and by national, regional and international economic conditions, federal regulatory actions, airline service, air fare prices and operation of the national air traffic control system. In general, the price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure, aircraft choices, hubbing strategies and route decisions of the airlines serving an airport, the willingness and ability of competing airlines to enter an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns, noise restrictions and other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Reductions in airline traffic and/or shifts in airline traffic and market share at the Airport and financial difficulties at individual airlines could, over time, materially alter the relative financial obligations of the individual airlines operating at the Airport and lead to increases in per-passenger-mile costs of service and to reductions of service at the Airport. Such reductions and shifts have occurred in the past as a result of factors outside of the Airport's control, including reductions and shifts experienced by the Airport in the aftermath of the terrorist attacks of September 11, 2001 and during the economic recession in 2008 and 2009. Factors which could have an adverse effect on air travel in the future include, but are not limited to, terrorist attacks, additional or continued military activities involving U.S. troops, outbreaks of illness, airline accidents, the availability of business travel substitutes including video conferencing and streaming technology, regulatory changes, rising fuel prices, continuing elevated levels of unemployment, turmoil in the capital markets or general weakness in the national, state, regional or local economy. See “—Uncertainties in the Air Service Area and —Uncertainties of the Airline Industry.”

The Airport is located two miles north of downtown San José, close enough so that FAA safety regulations result in restrictions on the height of the buildings in the downtown area. Based on the existing height of buildings in the downtown area and additional safety requirements governing departing flight patterns, airlines determine maximum aircraft load factors for the Airport, which, in turn, determine the maximum distance the airline's aircraft can travel from the Airport. The City may eventually consider amending City land use regulations to further limit downtown building heights below the thresholds required by applicable FAA safety regulations in order to account for additional safety requirements used by airlines to determine maximum aircraft load factors may result in an increase in long-haul and international departures from the Airport. Although no such land use regulations are currently scheduled for consideration, the City is monitoring planned development in the downtown area with regard to potential building height impacts on Airport operations. This is one of a number of factors that airlines may consider in determining whether to continue or expand service from the Airport. If the City does not amend its land use regulations to further limit downtown building heights below the thresholds required by the FAA safety regulations, existing building heights or future downtown high rise construction may negatively impact the airlines' decisions to continue or expand long-haul and international departures from the Airport.

Uncertainties in the Air Service Area

Approximately 97% of the enplaned passengers at the Airport are O&D passengers as opposed to passengers connecting through the Airport to other cities. As described in Appendix A and in the Report of the Airport Consultant in Appendix B, air traffic at the Airport is thus dependent upon the economy of the Airport's Air Service Area as well as on the route decisions and financial condition of individual airlines. Although the Airport's six-county Air Service Area is large and has a relatively diversified socio-economic base, the economy in the Air Service Area depends in significant part upon the financial strength and stability of the software, technology and communications industries and upon the success of major employers in the Air Service Area. As described in Appendix A and in the Report of the Independent Airport Consultant in Appendix B, passenger air traffic has not yet returned to levels reached in fiscal year 2000-01, prior to the terrorist attacks of September 11, 2001 and the economic and financial downturns in the United States and particularly in the technology industry. Activity levels showed signs of leveling off until the combination of the national credit crisis, aviation fuel cost spike, and global recession in fiscal year 2008-09 caused traffic again to fall sharply through the end of fiscal year 2009-10. No assurance can be given that the passenger traffic at the Airport will grow. Reduced demand for air travel in and out of the Air Service Area could result in fewer airlines serving the Airport. See "AIRPORT FINANCIAL MATTERS—Historical Operating Results" in Appendix A and "ECONOMIC BASE FOR AIR TRANSPORTATION" and "AIR TRAFFIC" in Appendix B.

Competition

As noted in the Report of the Airport Consultant in Appendix B, the Airport competes for passengers and cargo with San Francisco International Airport ("SFO"), approximately 34 miles northwest of the Airport, and with Oakland International Airport ("OAK"), approximately 36 miles north of the Airport. From fiscal year 1999 through fiscal year 2002, the Airport experienced an increase in its share of domestic O&D passengers in the Bay Area from 24.5 percent in fiscal year 1999 to a high of 26.9 percent in fiscal year 2002. During the period beginning in fiscal year 2003 through fiscal year 2007, the Airport's share of domestic O&D passengers in the Bay Area decreased to approximately 24.2 percent. Since fiscal year 2007, the Airport's share of domestic O&D passengers in the Bay Area has decreased substantially to 20.0 percent in fiscal year 2010. OAK's share of domestic O&D passengers in the Bay Area has also decreased significantly since fiscal year 2007, from 33.3 percent in fiscal year 2007 to 22.3 percent in fiscal year 2010, whereas SFO's share of domestic O&D passengers has increased substantially from 40.9 percent in fiscal year 2003 to 57.8 percent in fiscal year 2010. No assurance can be given that the Airport's share will not decline further in the future. See "AIR TRAFFIC—Bay Area Airport Passenger Demand and Air Service" in Appendix B.

California High Speed Rail. The California High Speed Rail Authority (the "CHSR Authority") is pursuing a statewide, high speed rail system in California linking Los Angeles to the San Francisco Bay Area, with a proposed station to be located in the City. The CHSR Authority has indicated it will pursue a phased implementation of service. In December 2010, the CHSR Authority voted to begin construction of the high speed rail system in a portion of the Central Valley between a location in Madera County and the City of Corcoran, with construction expected to start in 2012 following delivery of an ongoing environmental review. In public information released in March 2011, the CHSR Authority indicated that it is proceeding with environmental review of the San José to Merced portion of the system on a schedule pursuant to which the CHSR Authority would complete all necessary work to operate trains between San Francisco and Los Angeles by 2020. On May 9, 2011, the CHSR Authority was awarded \$300 million in federal funding to be applied to the Central Valley segment, bringing the total federal funding plus State matching funds for the high speed rail project to approximately \$6.33 billion. The CHSR Authority has stated that it plans to price its rail fares below air fares.

The City is unable to predict if or when a statewide, high speed rail system will become operational between the San Francisco Bay Area, the City and Los Angeles, or what effect such rail system would have, if any, on passenger traffic at the Airport or its revenues, including General Airport Revenues, PFC Revenues and CFC Revenues.

Uncertainties of the Airline Industry

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession of 2008 and 2009.

Since 2001, the global airline industry has undergone substantial structural changes and has sustained significant financial losses. Airlines continue to face significant challenges. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the state of the U.S. economy, other regional and world economies, corporate profitability, fuel prices, security concerns and other factors. Structural changes to the industry also result from the impact of low cost carriers, internet travel web sites and carriers reorganizing under the U.S. Bankruptcy Code. See “—Bankruptcy Risks—Airline or Other Tenant Bankruptcies.”

A number of airlines serving the Airport have filed for bankruptcy since September 11, 2001, including United Airlines, America West, Delta Air Lines, Northwest Airlines, Hawaiian Airlines, US Airways and Mexicana Airlines. With the exception of Mexicana Airlines, which ceased operations in August 2010 after filing bankruptcy earlier in the year, each of the airlines has emerged from bankruptcy and continues to operate at the Airport.

[Of the airlines that currently serve the Airport, only Southwest Airlines has an investment-grade rating from any of the national rating agencies.] Market conditions may limit further most of the airlines’ access to additional financing if their existing sources of funds are exhausted. Business conditions within the airline industry, such as increases in fuel and other costs and aging aircraft fleets, together with increased competition from airlines that shed debt and other obligations in bankruptcy, among other factors, could adversely affect the ability of some of the airlines that serve the Airport to meet their financial obligations to the City. Such conditions are generally beyond the control of the Airport and, in some cases, the Airlines. For example, after rising through most of the last decade, jet fuel spot prices declined in late 2008 and early 2009. Jet fuel spot prices began rising again in late 2010, however, and have continued to rise in early 2011. Recent political unrest in oil-producing nations in the Middle East and North Africa may have a further, ongoing impact on jet fuel prices. These and other market conditions could in the future result in additional airline bankruptcies, the inability of other weakened airlines to take over routes abandoned by a faltering airline, increased airline concentration at the Airport and a restructuring of the airline industry.

Three examples of consolidation within the airline industry after September 11, 2001, are the merger between US Airways and American West, completed in 2005, and the more recent mergers of United Airlines with Continental Airlines in 2010 and of Southwest Airlines with AirTran Airways on May 2, 2011. In 2010, the respective Boards of Directors and shareholders of United and Continental approved a merger of the two airlines, with operation under the United Airlines name, and the merger was completed on October 1, 2010. United and Continental have announced that they intend to continue to operate as separate airlines until their operations have been fully integrated, which is expected to take between 12 and 18 months. Continental Airlines and United Airlines represented a 6.6% market share at

the Airport in fiscal year 2009-10, but the destinations served by each carrier from operations at the Airport are distinct. Also in 2010, Southwest Airlines and AirTran Airways proposed a merger of the two airlines. On May 2, 2011, Southwest Airlines announced the closing of the merger of the two airlines. Southwest indicated at that time that the airlines will continue to operate independently until after the FAA grants a Single Operating Certificate, which Southwest currently expects to receive in the first quarter of 2012. AirTran Airways does not currently operate at the Airport. The City does not expect a reduction in service at the City as a result of any of these three mergers.

Other business decisions by airlines, such as abandoning domestic routes in favor of fewer but more lucrative international routes, increasing the use of smaller, regional jets and changing hubbing strategies, have also affected air traffic at the Airport and could have a more pronounced effect in the future. Although the Airline Lease Agreement permits the City to adjust rental rates and landing fees to take into account amounts that go unpaid by a defaulting airline, no assurance can be given that the non-defaulting airlines will continue to serve the Airport and to pay the higher rates and fees.

Bankruptcy Risks

The rights of the owners of the Bonds and the enforceability of the City's obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel and of the City Attorney as to the enforceability of the obligations of the City will be qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

Airline or Other Tenant Bankruptcies. A bankruptcy of an airline or of another tenant or tenants operating at the Airport could result in delays or reductions in payments on the Bonds.

The automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court were obtained) any action to collect any amount owing by the airline or other tenant to the City or any action to enforce any obligation of the airline or other tenant to the City. With the authorization of the bankruptcy court, the airline or other tenant may be able to repudiate some or all of its agreements with the City and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline or other tenant may be able, without the consent and over the objection of the City, the Trustee and the Owners of the Bonds, to alter the terms, including the payment terms, of its agreements with the City, so long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline or other tenant may be able to assign its rights and obligations under any of its agreements with the City to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the Owners of the Bonds also may be required to return to the airline or other tenant, as preferential transfers, any money that was used to make payments on the Bonds and that was received by the City or the Trustee from the airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the City under any lease with the airline or other tenant may be subject to limitations.

As described in Appendix A, airlines that serve the Airport are required not only to make payments under various agreements with the City but also to pay to the City the PFCs collected from passengers on behalf of the City. An airline is likely to be in possession of PFCs at the time it goes into

bankruptcy. Although there are provisions in the law requiring airlines to treat PFCs as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the City or to the Trustee any PFCs in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over PFCs that are collected prior to the time that the City or the Trustee demands the turnover of the PFCs. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected PFCs. See “AIRPORT FINANCIAL MATTERS—Passenger Facility Charges” in Appendix A for a discussion of other factors concerning PFCs.

A number of rental car companies that operate at the Airport have also been the subject of bankruptcy proceedings. In addition to lease and other payments, the Airport collects CFC Revenues from rental car companies operating at the Airport. Under the Master Trust Agreement, CFC Revenues are excluded from the definition of “General Airport Revenues” and are not pledged, but may be used, to pay debt service on the Bonds. See “SECURITY FOR THE BONDS—Pledge of General Airport Revenues” and “—Other Available Funds, CFC Revenues and Available PFC Revenues.” The Airport has applied, and expects to continue to apply, CFC Revenues to the repayment of a portion of certain Series of Bonds, including the Series 2011B Bonds the City expects to issue prior to the end of 2011. The Airport also applied CFC Revenues to the repayment of a portion of its Subordinated Commercial Paper Notes in fiscal year 2010-11. See “—Availability of Funding from PFC Revenues and CFC Revenues” herein and “APPENDIX A—LEASE AND OPERATING AGREEMENTS—Parking, Rental Car, Concession and Other Agreements—Rental Car Agreements” and “—AIRPORT FINANCIAL MATTERS—Customer Facility Charges.” A rental car company may owe current or future lease payments to the Airport and is likely to be in possession of CFC Revenues at the time it goes into bankruptcy. Although there are provisions in the agreements between the City and the rental car companies requiring the rental car companies to treat CFC Revenues as trust funds, the enforceability and application of these provisions in a bankruptcy case is not clear. A rental car company in bankruptcy may not be required to turn over to the City or to the Trustee any CFC Revenues in its possession at the time it goes into bankruptcy. Even while the rental car company is in bankruptcy, it may not be required to turn over CFC Revenues that it collects to the City or the Trustee.

There likely will be delays in payments on the Bonds, including the Series 2011A-1 Bonds, while the court considers any of these and other issues. There may be other effects of a bankruptcy of an airline or other tenant that could result in substantial delays or in reductions in payments to the holders of the Bonds, including the Series 2011A-1 Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding, a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds, including the Series 2011A-1 Bonds.

City Bankruptcy. The City is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. A bankruptcy filing by the City could result in substantial delays or reductions in payments on the Bonds, including the Series 2011A-1 Bonds.

Should the City become a debtor in a bankruptcy case, the Owners of the Bonds will not have a lien on General Airport Revenues received by the City or the Trustee after the commencement of the bankruptcy case unless such revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” is defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. No assurance can be given that a court would determine that General Airport Revenues should be treated as special revenues. If General Airport Revenues are not special revenues, there could be substantial delays or reductions in payments to the Owners of the Bonds. Even if a court determines that General Airport Revenues are special revenues, the

City will be able to use such revenues to pay operation and maintenance costs at the Airport, notwithstanding any provision of the Master Trust Agreement to the contrary.

The automatic stay provisions of the Bankruptcy Code could prevent (unless approval of the bankruptcy court is obtained) any action to collect any amount owing by the City to the Trustee or any action to enforce any obligation of the City to the Trustee. With the authorization of the bankruptcy court, the City may be able to repudiate some or all of its agreements with the Trustee, the airlines, the rental car companies and other concessionaires and stop performing its obligations under such agreements. Such a repudiation could also excuse the other parties to such agreements, including the rental car companies, the airlines and others, from performing any of their obligations.

The City may be able to cause any of its property that is subject to the lien of the Master Trust Agreement or any of the other agreements relating to the Bonds to be released to it, free and clear of such lien, so long as the bankruptcy court determines that the rights of the Trustee and the Owners of the Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the Owners of the Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Master Trust Agreement, the Bonds, or any other agreement relating to the Bonds to which the City is a party, so long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the City may be able to assign its rights and obligations under the Master Trust Agreement, or any other agreement to which the City is a party, to another entity, despite any contractual provisions prohibiting such assignment.

There likely will be delays in payments on the Bonds while the court considers any of these issues.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments to the holders of the Bonds.

Information Concerning the Airlines

The Airport makes no representation as to the business operations, financial condition or future viability of any airline and makes no representation about the filings referred to below.

The principal domestic airlines, or their respective parent corporations, and foreign airlines with American Depositary Receipts (“ADRs”) registered on a national exchange are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission (the “SEC”). Certain information, including financial information, concerning such domestic airlines or their respective parent corporations and such foreign airlines, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, and at the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (for certain airlines whose stock or whose parent’s stock is traded on the New York Stock Exchange). Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC website at <http://www.sec.gov>. In addition, each airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports can be inspected at the Bureau of Transportation Statistics, Research and Innovative Technology Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590.

Airlines owned by foreign governments, or foreign corporations operating airlines (unless such airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the United States Department of Transportation.

Regulatory Uncertainties

General. As described in Appendix A, development at the Airport is regulated extensively by the City and by the State of California and requires a number of reviews and permits. Operations and development at the Airport are also subject to extensive federal oversight. The City operates the Airport pursuant to an airport operating certificate issued annually by the Federal Aviation Administration (the “FAA”) after on-site review. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the federal Airport Improvement Program. All long-term planning and development is subject to the FAA’s approval; outside audits of the Airport’s financial statements are subject to periodic audits by the FAA; the City’s use of Airport revenues, which is generally limited to airport-related purposes, is subject to audit and review by the FAA; and the City’s use of PFC Revenues and grant proceeds is also subject to approval, audit and review. See “AIRPORT FINANCIAL MATTERS—Federal Grants” and “—Passenger Facility Charges” in Appendix A.

The Airport is also subject to regulation and mandates by the Transportation Security Administration (the “TSA”) as required by the Federal Aviation and Transportation Security Act. As described in Appendix A, the TSA has required the Airport to implement additional security-related projects and may in the future require the Airport to implement additional security-related projects, but the timing, scope and source of funding of such projects cannot be predicted. See “CAPITAL DEVELOPMENT AT THE AIRPORT—Federal Security Grants—Aviation Security Act” in Appendix A.

Rates and Charges Regulation. The 1994 Act and FAA regulations require that an airport maintain a rate structure that is as “self-sustaining” as possible and limit the use of all revenue generated by an airport receiving federal financing assistance (including local taxes on aviation fuel and other airport-related receipts) to purposes related to the airport. The statutes and regulations provide that for all airports, with certain exceptions, the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

The 1994 Act also provides that without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service. Section 113 of the 1994 Act (“Section 113”) requires that airport fees be “reasonable” and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. Section 113 specifically states that its provisions do not apply to (a) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (b) a fee imposed pursuant to a financing agreement or covenant entered into prior to August 23, 1994, the date of enactment of Section 113, or (c) any other existing fee not in dispute as of August 23, 1994.

The 1994 Act also mandates an expedited administrative process by which the Secretary of Transportation is required to review rates and charges complaints brought by airlines. In January 1995, the U.S. Department of Transportation, acting through the FAA, issued its final rule outlining the

procedures to be followed in determining the reasonableness of new fees or fee increases imposed on airlines and in June 1996, issued a policy statement (the “Policy Statement”) setting forth the standards that the U.S. Department of Transportation will use in determining the reasonableness of the fees charged to airlines and other aeronautical users.

On August 1, 1997, the U.S. Court of Appeals to the District of Columbia Circuit in a case brought by the Air Transport Association vacated and remanded the Policy Statement to the Secretary of the U.S. Department of Transportation for reconsideration of the standards set forth in the Policy Statement. On October 15, 1997, the U.S. Court of Appeals amended its previous order to vacate only certain sections of the Policy Statement, including sections relating to valuation of the airfield, permissible components of the airfield rate base, use of any “reasonable methodology” for valuation of non-airfield assets and recovery of imputed interest in the airfield rate base. In February 2003, the FAA withdrew its advance notice of proposed policy regarding rates and charges and has not issued further guidance. The City cannot determine at this time when or whether new guidelines will be published, the costs that will be permitted to be included in determining an airport’s rate base and/or the extent to which such future guidelines may limit the City’s flexibility in negotiating airline agreements or in setting rates and charges by resolution or ordinance for use of the Airport’s facilities. Any new federal legislation or other federal guidelines or any standards promulgated by a court in connection with a dispute could limit substantially the amounts and/or allocation of costs payable by airlines serving the Airport. In establishing any new rates and charge methodology for the Airport, the City intends to comply with federal law and with the Rate Maintenance Covenant contained in the Master Trust Agreement.

There is currently no dispute between the City and any of the air carriers over any existing rates and charges or the Airline Lease Agreement. No assurances can be given that disputes will not arise in the future. See “LEASE AND OPERATING AGREEMENTS” and “AIRPORT FINANCIAL MATTERS—Management Discussion of Recent Financial Results” in Appendix A.

Availability of Funding From PFC Revenues and CFC Revenues

The plan of finance assumes that (a) PFC Revenues will be available in certain amounts and at certain times for the payment of a portion of the debt service on the Series 2011A-1 Bonds and certain other Bonds; (b) that certain CFC Revenues and lease payments related to the ConRAC will be available in certain amounts and at certain times for the payment of a portion of the debt service on the planned Series 2011B Bonds, and a portion of the Subordinated Commercial Paper Notes (together, referred to herein as the “CFC Eligible Obligations”); and (c) federal grants will be received in certain amounts and at certain times to pay certain capital project costs and a portion of the debt service on certain Bonds and/or Subordinated Commercial Paper Notes. No assurance can be given that these sources of funding will be available in the amounts or on the schedules assumed.

The amount of PFC Revenues received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport and the amount of the PFCs charged. No assurance can be given that any level of enplanements will be realized or that the amount of PFCs the City may impose would be increased. A shortfall in PFCs may require the City to increase rates and charges at the Airport to meet the debt service requirements on the Bonds, including the Series 2011A-1 Bonds, and/or require the City to identify other sources of funding for the payment of the debt service.

Additionally, under current law the FAA may terminate the City’s authority to impose PFCs, subject to informal and formal procedural safeguards, if (a) PFC Revenues are not being used for approved projects in accordance with the FAA’s approval, the statutes authorizing the PFC or the regulations promulgated thereunder, or (b) the City otherwise violates such statutes or regulations. The City’s authority to impose PFCs may also be terminated if the City violates certain provisions of the

Airport Noise and Capacity Act of 1990 (“ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the City’s authority to impose PFCs will not be summarily terminated. No assurance can be given that the City’s authority to impose PFCs will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC Revenues available to the City or that the City will not seek to decrease the amount of PFCs to be collected. In the event the FAA or Congress reduced or terminated the City’s ability to impose PFCs or reduced or eliminated the FAA’s grant program or the size of the grants the City could receive, the City may need to increase rates and charges at the Airport to meet the debt service requirements on the Bonds, including the Series 2011A-1 Bonds. See “—Regulatory Uncertainties—Rates and Charges Regulation” above.

In addition to lease payments the City expects to receive from the five rental car companies with operations in the ConRAC, the City anticipates that the rental car companies will remit CFCs collected from their customers. Since January 1, 2008, the Airport has imposed a CFC of \$10.00 per rental contract. Pursuant to Section 1936 of the California Civil Code (“Section 1936”), the City may currently increase the CFC to \$6.00 per contract day, to a maximum of five days, on each rental instead of the \$10.00 per rental contract CFC the City now charges. Section 1936 further permits the City to increase the per contract day CFC to \$7.50 commencing January 1, 2014, and to \$9.00 commencing January 1, 2017. The \$6.00 per contract day CFC and any subsequent increase of the per contract day CFC are each subject to audit and substantiation by the California State Controller prior to City Council approval. The City currently plans to bring a proposed CFC increase to the City Council for approval in August 2011, and to recommend that a CFC of \$6.00 per contract day, to a maximum of five days, become effective in September 2011. The City also plans to increase the CFC per contract day to \$7.50 (subject to the five day maximum) beginning January 1, 2014. Such an increase will be subject to audit and substantiation by the California State Controller, and City Council approval. The rental car companies have expressed their support to the City regarding the City’s plans with respect to changes to the CFC.

No assurance can be given that the City’s authority to impose CFCs will not be affected by future State legislation or by future legal challenges so as to reduce CFC Revenues available to the City or that the City will not seek to decrease the amount of CFCs to be collected. To the extent that the City’s authority to impose CFCs were reduced or eliminated, or the City decided to decrease the amount of CFCs it collects from customers of the rental car companies, the lease payments that rental car companies are required to make in connection with their operations at the ConRAC would increase pursuant to the lease agreements entered into with the rental car companies. No assurance can be given, however, that such increases would be sufficient to avoid the City needing to increase other rates and charges at the Airport to meet the debt service requirements on the Bonds, including the Series 2011A-1 Bonds.

The initial term of the City’s current agreements with the on-Airport rental car companies for use of the ConRAC is 10 years, beginning June 1, 2010 and ending May 31, 2020, subject to two optional ten year extensions, which must be approved by the City and the rental car companies. Should all of the rental car companies determine at the expiration of the 10-year term not to extend the agreements, the City could not continue to collect CFCs after the on-Airport rental car companies vacate the ConRAC (other than for CFCs collected by off-Airport rental car companies for on-Airport common use transportation costs). In such event, the City would be responsible for payment of the remaining CFC Eligible Obligations from other Airport funds. In such event, the City would seek other tenants or uses for the ConRAC, but would remain responsible for payment of the remaining CFC Eligible Obligations from General Airport Revenues until such time as new rental car companies were to begin operations at the ConRAC and the City could again collect CFCs. See “APPENDIX A—LEASE AND OPERATING AGREEMENTS—Parking, Rental Car, Concession and Other Agreements—Rental Car Agreements” and “—AIRPORT FINANCIAL MATTERS—Customer Facility Charges.”

Seismic Hazards

The Airport is located within 6 to 12 miles of the San Andreas fault, the Hayward fault and the Calaveras fault, which are known to be active earthquake faults and pose the greatest potential for surface rupture in the Bay Area. The City has experienced at least eight recorded earthquakes with a Richter scale magnitude of 6.0 or greater, and with the epicenter located within the Bay Area. The most recent such earthquake, which had a magnitude of 7.1, occurred on October 17, 1989.

The seismic risks to a structure are dependent upon several factors, including the distance of the structure from the active fault, the character of the earthquake, the nature of construction of the structure, and the geologic conditions underlying the structure. Ground surface rupture tends to occur along lines of previous faulting, where fault displacement intersects the ground surface. Displacement may either occur suddenly during an earthquake or it may occur slowly as the fault “creeps” over a long period of time. Pursuant to applicable state law, the California Division of Mines and Geology has prepared maps to identify certain areas as liquefaction hazard zones. “Liquefaction” is the transformation of soil from a solid state to a liquid state during a major earthquake, and liquefaction hazard zones are areas where historic occurrence of liquefaction or local geological, geotechnical and ground water conditions indicate a potential for permanent ground displacements during a major earthquake. According to the most recent published maps prepared by the California Division of Mines and Geology, the Airport is located within an area subject to a high potential for liquefaction during a major earthquake.

The Airport and its facilities remained open after the October 17, 1989 earthquake. Terminal A has been designed and inspected in accordance with the “essential facility” standards of the 1985 Uniform Building Code (the “UBC”). This standard means that Terminal A has been designed with a higher force factor, to a seismic factor of 1.5, as compared to non-essential facilities constructed to a seismic factor of 1.0. An “essential facility,” as defined by the UBC, is a structure which must remain operational for emergency post-earthquake operations. Terminal A sustained no damage during the 1989 earthquake. At the time of the earthquake, Terminal A was nearing completion and was not yet occupied. Terminal B and its concourse were designed and constructed in accordance with the California Building Code, 2001 Edition.

Because the Airport is located within an area of active earthquake faults, the possibility does exist for operations at the Airport to be disrupted or for facilities at the Airport to be damaged by a strong earthquake. The Master Trust Agreement does not require earthquake insurance on the Airport facilities, and the City does not currently carry a policy of earthquake insurance. All Airport projects, however, are designed and constructed in accordance with applicable state and local building codes, which are considered the most stringent in the nation.

Natural Gas Transmission Pipelines

On September 9, 2010 a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous similar pipelines owned, operated and maintained by PG&E located throughout the City. In the immediate vicinity of the Airport, publicly available information on PG&E’s website (www.pge.com) indicates that the three closest transmission level gas pipelines are approximately 1,200 to 4,000 feet from the Airport’s property lines, but that there are 4 inch and 6 inch gas mains on Airport Boulevard.

PG&E’s website also provides information regarding its high pressure natural gas transmission pipelines and its long range natural gas transmission pipeline planning. According to its website, PG&E has a comprehensive inspection and monitoring program to ensure the safety of its natural gas transmission pipeline system, and uses a risk management program that inventories each of the 20,000

segments within PG&E's natural gas transmission pipeline system and evaluates them against criteria, including third-party damage from construction, potential corrosion or ground movement and the physical design and characteristics of the pipe segment. PG&E has also indicated that it considers the proximity of its natural gas transmission pipelines to high density populations, potential reliability impacts and environmentally sensitive areas, and uses the data it collects to help plan and prioritize future work.

The effects of any failure of the high pressure natural gas transmission pipelines closest to the Airport or the gas mains on Airport Boulevard are difficult to predict, but could include explosion and concussive force, fire, smoke, transportation delays and detours on routes to and from the Airport, and potential forced evacuation of nearby structures. However, given the distance and the significant infrastructure separating PG&E's transmission pipelines from Airport facilities, it is anticipated that no immediate damage to the Airport would result from such a failure. In addition, any ancillary effects on transportation routes would in part be mitigated by the fact that the Airport has three entrances, and traffic could be rerouted should one entrance be impacted by such a failure. Finally, smoke from fires could impact air traffic depending on intensity and wind direction.

The City is not able to independently confirm the information set forth above or the information contained on the PG&E website, including the exact distances of any high pressure transmission lines from Airport facilities, and can provide no assurances as to the accuracy or completeness of such information. Information available from PG&E's website is not part of this Official Statement nor has such information been incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2011A-1 Bonds. Further, the City can provide no assurances as to the condition of PG&E pipelines and other facilities in the City, or predict the extent of the damage to the surrounding property that would occur if a PG&E pipeline located within the City were to experience any type of failure, including a possible fire or explosion.

Flooding

The City and the Santa Clara Valley have a history of flooding due to heavy rain and inadequate storm drains and flood protection conveyance systems, which has resulted in property damage. The Santa Clara Valley Water District (the "District") is responsible for flood protection infrastructure in Santa Clara County on streams and waterways. The District coordinates flood hazard mitigation efforts for the major creeks and waterways in the City and assists the City in the review of development proposals that could impact flood protection efforts.

The Federal Emergency Management Agency ("FEMA") oversees the delineation of flood zones. FEMA publishes Flood Insurance Rate Maps ("FIRMs") that show the expected frequency and severity of flooding by area, typically for the existing land use and drainage/flood control facilities. The maps prepared by FEMA for the San Jose area indicate that during a 100-year flood event (area subject to a flood that has a one percent chance of being equaled or exceeded in any given year), sections of the City would be subject to flooding from creek overbanking, inadequate storm drains and levees or inundation from the San Francisco Bay. Approximately 20,000 parcels in the City are within the 100-year flood hazard area established by FEMA. This represents approximately 10 percent of the total number of properties within the City. This can be extrapolated to estimate that roughly 10 percent of the area of the City may be inundated by flood waters of at least one foot in depth.

The Guadalupe River channel on the east side of the Airport is designated on the FEMA maps as Zone A (areas of 100-year flood). The majority of the central, northern and eastern portions of the Airport are located in an area designated by FEMA as Zone X while some portions are in Zone AH. According to FEMA, Zone X is the flood insurance rate zone that corresponds to the areas of moderate or minimal flood hazard. Zone AH is used in areas subject to inundation by 1-percent-annual-chance

shallow flooding (usually areas of ponding) where average depths are between one and three feet. The western portion of the Airport is in an area designated by FEMA as Zone D. The Zone D designation is used for areas where there are possible but undetermined flood hazards. In areas designated as Zone D, no analysis of flood hazards have been conducted.

The District is also responsible for several dams located upstream of the City. In a catastrophic event, damage to one or more of these dams could result in flooding within the City as shown on inundation maps originally prepared by the District in the early 1970's and, in the case of the Anderson and Lexington Dams, further updated in the mid 1990's. These inundation maps are on file with the California Department of Water Resources.

The District has commenced a number of studies on the condition of the District's dams. One preliminary evaluation analyzed how Anderson Dam, an earth and rockfill structure constructed in 1950, could be affected by a major earthquake with a magnitude of 7.25 on the Calaveras Fault within two kilometers of the dam. This preliminary evaluation found that Anderson Dam could be subject to a reduction in strength in connection with such an earthquake and, were the reservoir to be full at the time of the earthquake, such weakening could result in an uncontrolled release of water or, less likely, a complete failure of the dam. Such a complete failure of the dam could send 35 feet of water into downtown Morgan Hill and 8 feet of water into San José, some of which would reach the Airport. Subsequent to this study, the District's dam operators have maintained reservoir levels below normal to provide an additional margin of safety for the downstream public.

The District continues to work with the State of California Division of Safety of Dams to study seismic stability of its other dams and is adapting operations accordingly. Although unlikely, the District has determined that failure of at least one other dam, Lenihan Dam, could cause flooding which would reach the Airport.

RATINGS

The Series 2011A-1 Bonds have been rated “[_]” “[_]” and “[_]” by S&P, Moody's and Fitch, respectively. [S&P's, Moody's and Fitch's rating outlooks with respect to the Series 2011A-1 Bonds are “_____.”] The ratings assigned by Moody's, S&P and Fitch reflect only the views of such organizations. The explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011A-1 Bonds. Neither the City nor the Underwriters have the obligation to contest any revision or withdrawal by the rating agencies of any such ratings.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes, except that no opinion is expressed as to the status of interest on any Series 2011A-1 Bond for any period that such Series 2011A-1 Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2011A-1 Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond

Counsel observes, however, that interest on the Series 2011A-1 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent that the issue price of any maturity of the Series 2011A-1 Bonds is less than the amount to be paid at maturity of such Series 2011A-1 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A-1 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A-1 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2011A-1 Bonds is the first price at which a substantial amount of such maturity of the Series 2011A-1 Bonds is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A-1 Bonds accrues daily over the term to maturity of such 2011A-1 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011A-1 Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Series 2011A-1 Bonds. Beneficial Owners of the Series 2011A-1 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series 2011A-1 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A-1 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A-1 Bonds is sold to the public.

The Series 2011A-1 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A-1 Bonds. The City has made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A-1 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2011A-1 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A-1 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-1

Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011A-1 Bonds. Prospective purchasers of the Series 2011A-1 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A-1 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series 2011A-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011A-1 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

LITIGATION

No Litigation Relating to the Series 2011A-1 Bonds. There is no litigation now pending against the City with service of process accomplished or, to the knowledge, after due inquiry, of its [Director of Finance,] Director of Aviation or City Manager, threatened in writing, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2011A-1 Bonds or contesting the validity of the Series 2011A-1 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2011A-1 Bonds or the use of the Series 2011A-1 Bond proceeds. As described in "APPENDIX A—LITIGATION," [a number of litigation matters relating to the Airport are pending against the City].

Municipal Derivatives Litigation. On May 21, 2010, the City and the San José Redevelopment Agency filed a complaint in the United States District Court for the Northern District of California, City of San José and the San José Redevelopment Agency v. Bank of America, N.A., et al., Case No. CV-10-2199 (N.D. Cal) alleging antitrust violations related to municipal derivatives. The complaint named a number of financial institutions, banks, and brokers, including Bank of America, N.A., Morgan Stanley, affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets, Inc., that provided municipal derivatives, including guaranteed investment contracts and interest rate swaps. On

June 25, 2010, the case was transferred to the Multi-District Litigation (MDL) proceeding in the United States District Court for the Southern District of New York, and consolidated with class actions and other individual actions for pretrial purposes in the multidistrict litigation *In re Municipal Derivatives Litigation*, MDL No. 1950, Case No. CV-08-2516 (S.D.N.Y) (VM) (GWG). Some of the financial institutions named in the complaint are, or are affiliates of, the Underwriters for the Series 2011A-1 Bonds. See “UNDERWRITING” herein.

The City is not able to predict the outcome of this litigation, but does not believe that it will adversely impact the ability of the City to pay debt service on the Series 2011A-1 Bonds.

LEGAL MATTERS

The validity of the Series 2011A-1 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. As Bond Counsel, Orrick Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Underwriters’ Counsel, and for the City by the City Attorney. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters’ Counsel with regard to the issuance of the Series 2011A-1 Bonds are contingent upon the issuance and delivery of the Series 2011A-1 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Series 2011A-1 Bonds to provide certain financial information and operating data relating to the City and the Airport by not later than nine months after the end of the City’s fiscal year in each year, commencing with the fiscal year ending June 30, 2011 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, in some cases only if such events material. The filing of the Annual Bond Disclosure Report or notices of material events will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board pursuant to its Electronic Municipal Market Access (“EMMA”) system as provided at <http://www.emma.msrb.org>. These covenants have been made to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). For the specific nature of the information to be contained in the Annual Report or the notices of material events delivered by the City to provide certain information, see Appendix G. The Trustee has no obligation to enforce the undertakings of the City in the Continuing Disclosure Certificate, and a failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Master Trust Agreement.

During the past five years, the City has never failed to comply, in all material respects, with an undertaking under the Rule.

FINANCIAL ADVISORS

The City has retained the services of Public Financial Management, Largo, Florida, and Public Resources Advisory Group, Los Angeles, California, as Financial Advisors in connection with the sale of the Series 2011A-1 Bonds. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. All of the fees of the Financial Advisors with regard to the issuance of the Series 2011A-1 Bonds are contingent upon the issuance and delivery of the Series 2011A-1 Bonds.

UNDERWRITING

The Series 2011A-1 Bonds are being purchased from the City by the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed to purchase the Series 2011A-1 Bonds at a purchase price of \$_____ (representing the aggregate principal amount of the Series 2011A-1 Bonds of \$_____, less an underwriting discount of \$_____, [plus original issue premium of \$_____ / less original issue discount of \$_____]).

The Bond Purchase Agreement pursuant to which the Series 2011A-1 Bonds are being sold (the "Purchase Agreement") provides that the Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Series 2011A-1 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover hereof. The offering prices may be changed from time to time by the Underwriters.

The following paragraph has been provided by and is being included in this Official Statement at the request of Citigroup Global Markets Inc. The City cannot and does not assume any responsibility for the accuracy or completeness of such statements or information: Citigroup Inc., the parent company of Citigroup Global Markets Inc., one of the underwriters of the Series 2011A-1 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011A-1 Bonds.

The following two paragraphs have been provided by the Underwriters for inclusion in this Official Statement and the City cannot and does not assume any responsibility for the accuracy or completeness of such statements or information.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which for certain of the Underwriters may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City. The market activities of the Underwriters and other market participants may impact the value of the Series 2011A-1 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Airport set forth in Appendix E have been examined by Macias Gini & O'Connell LLP, independent certified public accountants, for the periods indicated and to the extent set forth in their report thereon. The Master Trust Agreement requires the City to have its

financial statements audited annually by an independent certified public accountant. The audited financial statements prepared by the City each fiscal year are required to be provided to the Trustee within 180 days after the end of each such year in accordance with the Master Trust Agreement. Macias Gini & O’Connell LLP has not been requested to consent to the use of its name or to the inclusion of its report in this Official Statement, has not performed any post-audit review of the financial condition or operations of the Airport and has not reviewed this Official Statement.

MISCELLANEOUS

Certain statements contained in this official statement, including the appendices, do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given that the facts will materialize as so opined or estimated. The City and the Airport maintain websites at www.sanjoseca.gov, www.sjc.org and www.csjfinance.org. Information on such websites is not part of this Official Statement nor has such information been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2011A-1 Bonds.

This Official Statement has been duly authorized and approved by the City Council and duly executed and delivered on its behalf by the officials signing below.

CITY OF SAN JOSE, CALIFORNIA

By: _____
[Director of Finance]

By: _____
Director of Aviation

APPENDIX A

THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

APPENDIX B
REPORT OF THE INDEPENDENT AIRPORT CONSULTANT

APPENDIX C
CITY OF SAN JOSE PENSION PLANS

[To come]

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT

[To come]

APPENDIX E

**AUDITED FINANCIAL STATEMENTS OF THE NORMAN Y. MINETA SAN JOSE
INTERNATIONAL AIRPORT FOR FISCAL YEAR ENDED JUNE 30, 2010**

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[To come]

APPENDIX G
FORM OF CONTINUING DISCLOSURE CERTIFICATE

[To come]

APPENDIX H

**SUMMARY OF CERTAIN PROVISIONS OF
THE AIRLINE LEASE AGREEMENT**

APPENDIX I

DTC AND THE BOOK-ENTRY SYSTEM

The following information regarding DTC and DTC's book-entry system has been extracted from information provided by DTC. The City makes no representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information. Additionally, the City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of any material contained on DTC's website as described in this Appendix I including, but not limited to, updates of such information or links to other Internet sites accessed through such website.

DTC will act as the securities depository for the Series 2011A-1 Bonds. The Series 2011A-1 Bonds will be issued as fully-registered bonds 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 Series 2011A-1 Bond certificate will be issued for each maturity of the Series 2011A-1 Bonds in the 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; nothing contained in such websites is incorporated into this Official Statement.

Purchases of the Series 2011A-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A-1 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011A-1 Bonds, except in the event that use of the book-entry system for the Series 2011A-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011A-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011A-1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A-1 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Series 2011A-1 Bonds may wish to ascertain that the nominee holding the Series 2011A-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A-1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A-1 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Series 2011A-1 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 City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Series 2011A-1 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE CITY, THE UNDERWRITERS OR THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

None of the City, the Airport, the Underwriters or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2011A-1 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2011A-1 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A-1 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2011A-1 Bond certificates will be printed and delivered to DTC.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Neither the City nor the Trustee will have any responsibility or obligation to Participants or the persons for whom they act as nominees with respect to the Series 2011A-1 Bonds for the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of principal or interest on the Series 2011A-1 Bonds, any notice that is permitted or required to be given to Registered Owners under the Master Trust Agreement (except such notices as shall be required to be given by the City to the Trustee or to DTC), the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2011A-1 Bonds, or any consent given or other action taken by DTC as the Registered Owner (through its partnership nominee). The City and the Trustee may treat and consider Cede & Co., in whose name each Series 2011A-1 Bond is registered on the Bond Register, as the holder and absolute owner of such Series 2011A-1 Bond for all purposes, except as provided in the Master Trust Agreement. For the purposes of this Official Statement, the term "Beneficial Owner" includes the person for whom the Participant acquires an interest in the Series 2011A-1 Bonds.

If the City is unable to retain a qualified successor to DTC or the City has determined that DTC or its successor is no longer able to carry out its functions as a depository or that it is no longer desirable to use a depository, the City will be required to deliver a written request to the Trustee, together with a supply of definitive Series 2011 Bonds in certificated form, to issue Series 2011 Bonds in any authorized denomination. Thereafter, the principal of the Series 2011 Bonds shall be in lawful money of the United States upon due presentment and surrender thereof at the principal office of the Trustee, interest on the Series 2011 Bonds will be payable by check mailed to the persons in whose names such Series 2011 Bonds are registered, at the address appearing upon the registration books on the 15th day of the month next preceding an interest payment date, and the Series 2011 Bonds will be transferable as provided in the Master Trust Agreement.