

COUNTY OF SAN MATEO

INTERDEPARTMENTAL CORRESPONDENCE

To: Honorable Board of Supervisors
 From: County Counsel
 Date: May 22, 2001
 Re: Adopt a Resolution Providing for the Issuance of Ravenswood City School District, County of San Mateo, 2001 Tax and Revenue Anticipation Notes

RECOMMENDATION Adopt a Resolution Providing for the Issuance of Ravenswood City School District, County of San Mateo, 2001 Tax and Revenue Anticipation Notes

BACKGROUND

Pursuant to state statute, a school district may borrow money by issuing Tax and Revenue Anticipation Notes (TRANS) for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of the school district. When issued by the school district individually, such notes must be issued in the name of the school district by the Board of Supervisors. The District pledges any taxes, income or revenue for payment of the Notes and are a general obligation of the School District.

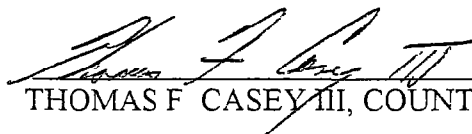
DISCUSSION

The Governing Board of the Ravenswood School District has passed a resolution on April 26, 2001 requesting the borrowing of funds not to exceed \$5 million through the issuance of 2001 Tax and Revenue Anticipation Notes. The attached resolution authorizes issuance of the TRANS, approves the form of the notes, the Contract of Purchase by negotiated sale and authorizes the necessary signatures and other actions to finalize the issuance.

FISCAL IMPACT

The TRANS are not an obligation of the County and have no fiscal impact for the County.

Very truly yours,


 THOMAS F. CASEY III, COUNTY COUNSEL

cc John L. Maltbie, County Manager
 Lee Buffington, Treasurer-Tax Collector
 Dr. Charlie Mae Knight, Superintendent, Ravenswood City School District
 David G. Casnocha, Esq., Stradling Yocca Carlson & Rauth, Bond Counsel
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COUNTY RESOLUTION
BOARD OF SUPERVISORS,
COUNTY OF SAN MATEO, STATE OF CALIFORNIA

RESOLUTION NO _____

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN
MATEO PROVIDING FOR THE ISSUANCE OF RAVENSWOOD CITY
SCHOOL DISTRICT, COUNTY OF SAN MATEO, STATE OF CALIFORNIA,
2001 TAX AND REVENUE ANTICIPATION NOTES

WHEREAS, pursuant to Section 53850 *et seq* of the Government Code of the State of California (the "Act") contained in Article 7 6 thereof, entitled "Temporary Borrowing," on or after the first day of any fiscal year (being July 1), a school district may borrow money by issuing notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of the school district, and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of the school district by the board of supervisors of a county, the county superintendent of which has jurisdiction over the school district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the County Superintendent of the County of San Mateo (the "County") has jurisdiction over the Ravenswood City School District (the "District"), and this Board of Supervisors of the County (the "County Board") has received a resolution of the Board of Trustees of the District (the "District Board"), being the governing board of the District, dated April 26, 2001, entitled "RESOLUTION OF THE BOARD OF TRUSTEES OF THE RAVENSWOOD CITY SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2001 TAX AND REVENUE ANTICIPATION NOTES FOR SAID DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN MATEO TO ISSUE SAID NOTES" (the "District Resolution") which District Resolution requests the borrowing of not exceeding Five Million Dollars (\$5,000,000) at an interest rate not exceeding eight percent (8%), through the issuance by the County Board of 2001 Tax and Revenue Anticipation Notes (the "Notes") in the name of the District, and

WHEREAS, such Notes are payable twelve months after their date of delivery which is during the fiscal year succeeding the fiscal year 2001-2002 in which such Notes were issued, but as required by Section 53854 of the Act, such date is not later than fifteen months after the date of issue, and such Notes shall be payable only from revenue received or accrued during the fiscal year 2001-2002 in which issued, and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes, income, revenue, cash receipts or other moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose), and the District Resolution specifies that certain unrestricted revenues that will be received by the District for the General Fund of the District during or allocable to fiscal year 2001-2002 are pledged for the payment of the Notes, and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for the payment thereof shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act, and shall not in any way be payable from County moneys, and

WHEREAS, the Notes shall be in denominations of \$5,000 or integral multiples thereof, as permitted by Section 53854 of the Act, shall be issued on a date to be designated, as permitted by Section 53853 of the Act; and shall be in the form and executed in the manner prescribed in the District Resolution and herein, as required by Section 53853 of the Act, and

WHEREAS, the County Board has no independent knowledge of but accepts the determination by the District that said \$5,000,000 maximum principal amount of Notes to be issued by the County Board in fiscal year 2001-2002, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and interest thereon, as required by Section 53858 of the Act, and

WHEREAS, the Notes will not be outstanding after a period ending twelve months after the date on which such Notes are issued and will not be issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such Notes are outstanding, all as provided in Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury, and

WHEREAS, pursuant to Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), under certain circumstances, certain obligations the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code may be designated by the issuer thereof as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct for federal income tax purposes a portion of such institution's interest expense that is allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code, and

WHEREAS, the District Board has designated the Notes as "bank qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and

NOW, THEREFORE, the Board of Supervisors of the County of San Mateo hereby resolves as follows

Section 1. Authorization of Issuance of Notes. Terms Thereof. Paying Agent The District Board hereby requests the County Board to issue in the name of the District, an amount not to exceed \$5,000,000 principal amount of Notes under Sections 53850 *et seq* of the Act, designated "Ravenswood City School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes" (the "Notes"), to be numbered from 1 consecutively upward in order of issuance, to be in the denominations of \$5,000, or integral multiples thereof, as determined by the financial advisor to the District; to be dated the date of delivery thereof to mature (without option of prior redemption) 364 days from said date of delivery (or 359 days computed on a 30-day month 360-day year basis), or if such date is not a day on which banks in New York or California are

open for business, on the last day prior to such date, and to bear interest, payable at maturity and computed on a 30-day month/360-day year basis, at the rate or rates determined at the time of sale thereof, but not in excess of eight percent (8%) per annum. Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the office of the Treasurer-Tax Collector of the County of San Mateo, which is hereby designated to be the paying agent for the Notes (in such capacity, the "Paying Agent"), or such other paying agent as the District or the County may designate. This Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable.

Section 2 Form of Notes. The Notes shall be issued in registered form and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes may be initially registered in the name of "Cede & Co" as nominee of The Depository Trust Company, and shall be evidenced by one note in the full principal amount of the Notes. The Depository Trust Company, New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof. Attached to each note shall be the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation respecting the validity of said Notes and, immediately following such legal opinion, a certificate executed with the facsimile signature of the President of the County Board (the "President"), said certificate to be in substantially the following form:

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion regarding the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation and was dated as of the date of delivery of and payment for said Notes

[Facsimile Signature]
President, Board of Supervisors

Section 3 Transfer and Exchange of Notes. Subject to the provisions of Section 4 hereof, the registration of any Note may, in accordance with its terms, be transferred, upon the registration books kept by the Paying Agent for such purpose, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent.

Whenever any Note or Notes shall be surrendered for registration or transfer, the Paying Agent shall execute and deliver a new Note or Notes, for a like aggregate principal amount. The Paying Agent shall require the Note owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The County may require the owner requesting such registration of transfer to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Paying Agent with respect to such registration of transfer. The Paying Agent may treat the registered owner of any Note as the absolute owner thereof for all purposes whatsoever in accordance with this resolution, and the Paying Agent shall not be affected by any notice to the contrary.

Subject to the provisions of Section 4 hereof, Notes may be exchanged at the office of the Paying Agent for a like aggregate principal amount of Notes in other authorized denominations. The Paying Agent shall require the payment by the Note owner requesting such exchange of any tax or

other governmental charge required to be paid with respect to such exchange. The Paying Agent may require the owner requesting such exchange to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Paying Agent or the District with respect to such exchange.

Section 4. Use of Depository.

(1) The Notes may be initially registered as provided in Section 2 hereof. In such event, registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section 4 (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or a substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the Paying Agent, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the District to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository, provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the District to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(2) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (1) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent, together with a request of the County, on behalf of the District, to the Paying Agent, a new Note shall be executed and delivered in the aggregate principal amount of the Notes registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such request of the County. In the case of any transfer pursuant to clause (iii) of subsection (1) of this subparagraph (d), upon receipt of the outstanding Notes by the Paying Agent together with a request of the County to the Paying Agent, new Notes shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such a request of the County, provided, the Paying Agent shall not be required to deliver such new Notes within a period less than sixty (60) days from the date of receipt of such a request of the County. Thereafter, Notes shall be transferred pursuant to Section 3 hereof.

(3) The County and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the County, and the County and the Paying Agent shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Notes and

neither the County nor the Paying Agent will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or substitute depository or its successor), except for the Owner of any Notes.

(4) So long as the outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the County and the Paying Agent shall cooperate with Cede & Co., as sole registered Owner, or its registered assigns in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due

Section 5. Deposit of Note Proceeds The moneys so borrowed shall be deposited in the General Fund of the District and shall be invested by the Treasurer-Tax Collector in the County Treasury Pool.

Section 6 Payment of Notes

(A) Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the District during fiscal year 2001-2002 and which are available therefor, and are not payable from moneys of the County. The Notes shall be a general obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues defined below, the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided in the District Resolution and by law. Notwithstanding anything to the contrary contained herein or in any document mentioned herein or related to the Notes, the County shall not have any monetary liability hereunder or by reason hereof or in connection with the transactions contemplated hereby and the Notes shall be payable solely from the moneys of the District available therefor as set forth in the Section and in Section 4 of the District Resolution.

(B) Pledged Revenues. As security for the payment of the principal of and interest on the Notes, as provided in the District Resolution, the District has pledged an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending January 31, 2002 an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending May 31, 2002, plus an amount sufficient to pay interest on the Notes and any deficiency in the amount required to be deposited during any prior month from unrestricted revenues received by the District in the month ending May 31, 2002 (such pledged amount being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other moneys of the District as provided in Section 53856 of the Act, which are intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District.

The principal of the Notes and the interest thereon shall be a first lien and charge against and shall be payable from the first moneys received by the District from such Pledged Revenues as provided by law

In the event that there are insufficient unrestricted revenues received by the District to permit the deposit into the Repayment Fund, as hereinafter defined, of the full amount of Total Pledged Revenues to be deposited from unrestricted revenues in any month, then the amount of such

deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the repayment of the Notes and the interest thereon

(C) Covenant Regarding Additional Short-term Borrowing The District has covenanted and warranted that it will not request the Treasurer-Tax Collector to make temporary transfers of funds in the custody of the Treasurer-Tax Collector to meet any obligations of the District during the 2001-2002 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

(D) Deposit of Pledged Revenues. The Pledged Revenues shall be held by the Paying Agent in a special fund designated as the "Ravenswood City School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. Any moneys placed in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

Section 7. Disbursement and Investment of Moneys in Repayment Fund From the date this Resolution takes effect, the Pledged Revenues shall, when received be accounted for in the Repayment Funds. After such date as the amount of Pledged Revenues accounted for in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon the request of the District. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes.

Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested at the request of the District in either investment securities by the Treasurer (or independent fiscal agent), or otherwise as permitted by applicable California law, as it is now in effect and as it may be amended, modified or supplemented from time to time; provided that no such investments shall have a maturity date later than the maturity date of the Notes.

Section 8. Execution of Notes. The President, or a designated deputy thereof, is hereby authorized to sign the Notes manually or by facsimile signature, and the Treasurer-Tax Collector of the County is hereby authorized to sign the Notes manually or by facsimile signature, provided that if facsimile signature is used, Treasurer-Tax Collector will receive prior notification thereof. The Clerk of the County Board (the "Clerk") is hereby authorized to countersign the Notes manually or by facsimile signature and the Paying Agent to authenticate the Notes (provided that at least one of the foregoing shall sign manually), and said Clerk is hereby authorized to affix the seal of the County thereto by facsimile impression thereof, and said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate

Section 9 Approval of Contract of Purchase. The Notes shall be sold at negotiated sale. The form of Contract of Purchase for the Notes, substantially in the form presented to this meeting and on file with the Clerk of this Board is hereby approved. The President or a designated deputy thereof and the Treasurer-Tax Collector of the County is hereby authorized to execute and deliver the Contract of Purchase, and the Superintendent or the Chief Business Officer (the "CBO") of the District are each hereby authorized and requested to acknowledge such Contract of Purchase. if

necessary, but with such changes therein, deletions therefrom and modifications thereto as the President (or designated County official) may approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed eight percent (8%) per annum and that the discount not exceed 175% of the par amount of the Notes. The Chairperson, an authorized deputy thereof, or the Treasurer-Tax Collector is hereby further authorized to determine the maximum principal amount of Notes to be specified in the Contract of Purchase for sale, up to \$5,000,000 and to enter into and execute the Contract of Purchase with Banc of America Securities LLC (the "Underwriter"), if the conditions set forth in the District Resolution and this Resolution are satisfied.

Section 10 Delivery of Notes. The proper officers of the County Board are hereby authorized and directed to deliver the Notes to the Underwriter in accordance with the Contract of Purchase. All actions heretofore taken by the officers and agents of the County Board with respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified, and the officers of the County Board are hereby authorized and directed, for and in the name and on behalf of the County Board, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and the resolution heretofore adopted by the District Board.

Section 11 Further Actions Authorized. It is hereby covenanted that the County, and its appropriate officials, have duly taken all actions necessary to be taken by them, and will take any additional actions necessary to be taken by them, for the levy, collection and enforcement of the secured property taxes pledged under the District Resolution in accordance with the law and for carrying out the provisions of the District Resolution and of this Resolution.

Section 12 Recitals. All the recitals in this Resolution above are true and correct and this County Board so finds, determines and represents.

Section 13. Designation as Bank Qualified Tax-Exempt Obligations The District Board hereby designates the Notes as "bank qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Section 14. Authorization to Enter into Investment Agreement: LAIF Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund. Pursuant to Section 53601(1) of the Government Code of the State of California, the following are hereby designated as authorized investments for the proceeds of the Notes and the Repayment Fund. (1) so long as the moneys to be invested shall be held by an independent paying agent and not by the Treasurer-Tax Collector of the County (the "Treasurer"), a guaranteed investment contract with a financial institution or insurance company which has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than "AA-" by Standard & Poor's, a division of the McGraw-Hill Companies (in which case, the District Board hereby authorizes the Superintendent or chief business officer to execute a certificate of indemnity holding the Treasurer and the County, its officers, employees and servants harmless and indemnifying them from any costs, liabilities, claims or damages, including but not limited to attorneys' fees, caused by or arising from the investment of the funds in such an instrument. or.

alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and servants, caused by or arising from the investment of the funds in such an instrument), or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California

PASSED AND ADOPTED by the Board of Supervisors of the County of San Mateo this 22nd day of May, 2001, by the following vote:

AYES.

NOES:

ABSENT.

COUNTY OF SAN MATEO

By: _____
President of the Board of Supervisors

ATTEST:

By: _____
Clerk of the Board of Supervisors

EXHIBIT A
FORM OF NOTE

REGISTERED No 1

REGISTERED \$ _____

RAVENSWOOD CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
STATE OF CALIFORNIA
2001 TAX AND REVENUE ANTICIPATION NOTE
(Bank Qualified)

RATE OF INTEREST:	NOTE DATE.	MATURITY DATE	CUSIP:
____%	____, 2001	____, 2002	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT _____ MILLION DOLLARS

FOR VALUE RECEIVED, the Ravenswood City School District (the "District"), County of San Mateo, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assignee, at the office of Treasurer-Tax Collector of the County of San Mateo, the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date set forth above, together with interest thereon at the Rate of Interest per annum set forth above, in like lawful money of the United States of America from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$ _____) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County of San Mateo duly passed and adopted on May 22, 2001 and a Resolution of the Board of Trustees of the District duly passed and adopted on April 26, 2001 under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the District during fiscal year 2001-2002. As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending January 31, 2002; and an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues

received by the District in the month ending May 31, 2002, plus an amount sufficient pay interest on the Notes and any deficiency in the amount required to be deposited during any prior month, from the unrestricted revenues of the District to be received in the month ending May 31, 2002 (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

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

IN WITNESS WHEREOF, the County of San Mateo has caused this Note to be executed by the President of its Board of Supervisors and by the Clerk of its Board of Trustees by facsimile signature and countersigned by the Treasurer-Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this ____ day of _____, 2001.

COUNTY OF SAN MATEO

By: _____ [Facsimile Signature] _____
President of the Board of Supervisors

By: _____ [Facsimile Signature] _____
Treasurer-Tax Collector

(SEAL)

Countersigned

By: _____ [Signature] _____
Clerk to the Board of Supervisors

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes

(Facsimile Signature)
Chairperson, Board of Supervisors

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by:

NOTE: The signature to the assignment must be guaranteed by an eligible guarantor institution

NOTE: The signature to the assignment must correspond to the name as written on the face of this Note in every particular, without any alteration or change whatsoever.

BANK QUALIFIED TAX-EXEMPT OBLIGATION

This Note has been determined to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, by resolution of the District