

**COUNTY OF SAN MATEO
INTERDEPARTMENTAL CORRESPONDENCE**

To: Honorable Board of Supervisors
From: Thomas F. Casey, III, County Counsel
Subject: TRANS for Hillsborough City School District
Date: June 12, 2001

RECOMMENDATION: Adopt a resolution providing for the issuance of Hillsborough City School District, County of San Mateo, 2001 Tax and Revenue Anticipation Notes.

BACKGROUND

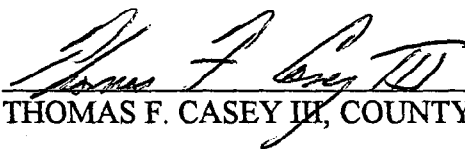
Pursuant to state statute, a school district may borrow money by issuing Tax and Revenue Anticipation Notes (TRANS) for any purpose for which the school district is authorized to expend moneys, including, but not limited to, current expenses, capital expenditures, and the discharge of any obligation 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 which are a general obligation of the School District.

DISCUSSION

The Governing Board of the Hillsborough City School District has passed a resolution on April 4, 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.



THOMAS F. CASEY III, COUNTY COUNSEL

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cc: John L. Maltbie, County Manager
Lee Buffington, Treasurer-Tax Collector
Marilyn Loushin-Miller, Superintendent
Jane Woodside, Counsel for the School District

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 HILLSBOROUGH 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 Hillsborough 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 4, 2001, entitled "RESOLUTION OF THE BOARD OF TRUSTEES OF HILLSBOROUGH 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"), the form of which is attached hereto as Exhibit B, which District Resolution requests the borrowing of not exceeding Four Million Dollars (\$4,000,000) at an interest rate not exceeding six percent and one-half (6.5%), 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 be in any way 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 \$4,000,000 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 applicable 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 "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code; and

WHEREAS, the District desires that such Notes be sold pursuant to a competitive sale as herein provided and desires the County Board to authorize the award of such Notes to the highest bidder as provided herein.

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. The County Board hereby determines to and shall issue in the name of the District an amount not to exceed \$4,000,000 principal amount of Notes under Sections 53850 et seq. of the Act, designated "Hillsborough City School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes" (the "Notes"); to be numbered from 1 (and consecutively upward in order of issuance if more than one Note is registered); 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 six and one-half percent (6.5%) 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 Tax Collector-Treasurer of the County ("Treasurer"), who is hereby designated to be the paying agent on the Notes (in such capacity, the "Paying Agent"), or such other Paying Agent as the Treasurer and the District may designate.

Section 2. Form of Notes. The Notes shall be issued in registered form, without coupons, 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 shall 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 (the "Depository"). Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof. There shall be simultaneously delivered with each note, the legal opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP 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 "Board President"), said certificate to be in substantially the following form:

I HEREBY CERTIFY that the foregoing is a true and correct copy of the legal opinion regarding the Notes therein described that was manually signed by Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP and was dated as of the date of delivery of and payment for said Notes.

[Facsimile Signature]
President of the Board of Supervisors

Section 3. Transfer and Exchange of Notes. In the event the Notes are no longer registered in the name of "Cede & Co.", 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 shall be surrendered for registration of transfer, the Paying Agent shall execute and deliver a new note, 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 Paying Agent 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 in Redwood City, California 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 District 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 with respect to such exchange.

Section 4. Use of Depository. (1) The Notes shall be initially registered as provided in Section 2 hereof. 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 County Treasurer 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 County 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 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 District. In the case of any transfer pursuant to clause (iii) of subsection (1) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent together with a request of the District 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 District; 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 District. Thereafter, Notes shall be transferred pursuant to Section 3 hereof.

(3) 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 District; 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 District 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 registered owner of any Notes.

(4) So long as the outstanding Notes are registered in the name of Cede & Co. or its registered assigns, 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 may be invested by the Treasurer in the Local Agency Investment Fund

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 and in the event Note proceeds or moneys on deposit in the Repayment Fund are invested pursuant to Section 13 hereof, 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 this 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 February 28, 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 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 amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other money 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 of the full amount of 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) Deposit of Pledged Revenues. The Pledged Revenues shall be held by the Paying Agent in a special fund designated as the "Hillsborough 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 accounted for 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 accounted for in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

(D) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited in the

Repayment Fund. After such date as the amount of Pledged Revenues deposited 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 in the Repayment Fund shall be invested 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, including investments authorized by Section 13 hereof; provided that no such investments shall have a maturity date later than the maturity date of the Notes. To the extent that moneys invested or held by the County are subject to arbitrage rebate, neither the County nor any officer or employee of the County shall assume hereunder or under the provisions of any rebate certificate any duty or obligation to make the actual calculations of arbitrage rebate liability of the District, or to pay any such rebate or any penalties in regard thereto if the District miscalculates or fails to pay or cause such rebate or such penalties to be paid.

Section 7. Execution of Notes. The Treasurer, or a designated deputy thereof, is hereby authorized to sign the Notes manually or by facsimile signature; the Board President or a designated deputy thereof, is hereby authorized to sign the Notes manually or by facsimile signature; and the Clerk of the County Board (the "Clerk") is hereby authorized to countersign the Notes manually or by facsimile signature provided, however, that the Tax Collector - Treasurer will receive prior notice of the use of his facsimile signature; the Clerk is hereby authorized to affix the seal of the County Board 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 8. Sale of Notes. The Notes shall be sold at a public sale upon the direction of the Treasurer, said public sale to be at the time and place and upon the terms provided in the Official Notice of Sale of the Notes, which Notice shall be substantially in the form set forth as Exhibit C hereto and by reference incorporated herein (the "Notice of Sale"). Sealed bids for the purchase of the Notes shall be received by the District's Superintendent (the "Superintendent") or the Superintendent's designee and the Treasurer or the Treasurer's designated deputy is authorized to distribute copies of the Notice of Sale. The County Board hereby authorizes publication in The Bond Buyer of a Notice of Intention to Sell (the "Notice of Intention to Sell") in substantially the form attached hereto as Exhibit D and made a part hereof by this reference, said Notice of Intention to Sell being required to be made in a financial publication generally circulated throughout the State at least 15 days prior to the award of the Notes at competitive bid pursuant to Section 53692 of the Government Code.

Section 9. Award of Notes. The Superintendent's designee and the Treasurer or the Treasurer's designee are hereby authorized to award the Notes in an aggregate principal amount not exceeding the aforesaid sum to the bidder for the Notes providing the lowest net interest rate as provided in the Notice of Sale, provided that the interest rate on the Notes shall not exceed six and one-half percent (6.5%) per annum. Upon award of the Notes to the successful bidder, (i) the Treasurer is hereby authorized and directed to attach to this

Resolution a certificate stating the principal amount of the Notes, the maturity date of the Notes and the interest rate on the Notes, and (ii) appropriate officers of the County are authorized and directed to execute and deliver the Notes to the successful bidder. In the event two or more bids setting forth identical net interest rates are received and aggregating in excess of the principal amount of the Notes, the Treasurer shall offer the Notes to such bidders on a pro-rata basis, to the extent practicable.

Section 10. Authorization of Preliminary Officer Statement and Official Statement. Cooperman & Dudick, the District's financial advisor, and Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, Bond Counsel, are hereby authorized to prepare a Preliminary Official Statement and an Official Statement relating to the Notes, to be used in connection with the offering and sale of the Notes. The Superintendent of the District, or his designee, is hereby authorized and requested to execute and deliver the Official Statement.

Section 11. Delivery of Notes. The proper officers of the County Board are hereby authorized and directed to deliver the Notes to the Purchaser in accordance with the Notice of Sale. 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, including but not limited to those described in the Notice of Sale, 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 resolutions heretofore adopted by the County and District Boards.

Section 12. Further Actions Authorized. It is hereby covenanted that the County, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings 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 13. Authorization to Invest Proceeds in 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(l) of the Government Code of the State of California, the Local Agency Investment Fund ("LAIF") administered by the State of California is hereby designated as an authorized investment for the proceeds of the Notes and the Repayment Fund.

Section 14. Recitals. All the recitals in this Resolution above regarding actions taken by the County are true and correct and this County Board so finds, determines and represents.

Section 15. Designation as Qualified Tax-Exempt Obligation. As provided in the District Resolution, the District has designated the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Section 16. Action re Qualified Tax-Exempt Obligation. Appropriate officials of the County and the Treasurer are hereby authorized and directed to take such other actions as may be necessary to assist the District in designating such Notes as "qualified tax-exempt obligations," including, if either deemed necessary or appropriate, placing a legend to such effect on the form of Notes in such form as either deemed necessary or appropriate.

PASSED AND ADOPTED by the Board of Supervisors of the County of San Mateo this ____ day of _____, 2001, by the following vote:

AYES:

NOES:

ABSENT:

COUNTY OF SAN MATEO

By: _____
President of the Board of Supervisors

Attest:

Clerk of the Board of Supervisors

EXHIBIT A

REGISTERED
No. 1

REGISTERED
\$- _____

HILLSBOROUGH CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
STATE OF CALIFORNIA
2001 TAX AND REVENUE ANTICIPATION NOTE

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

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

FOR VALUE RECEIVED, the Hillsborough 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 the Tax Collector-Treasurer of the County of San Mateo in Redwood City, California, 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 _____, 2001 and a Resolution of the Board of Trustees of the District duly passed and adopted on _____, 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 February 28, 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 to pay interest on the Notes 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.

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

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 Supervisors by facsimile signature and countersigned by the Tax Collector-Treasurer by manual signature and has caused a facsimile of its official seal to be printed hereon this _____ day of July, 2001.

COUNTY OF SAN MATEO

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

By: [Facsimile Signature]
Clerk of the Board of Supervisors

(SEAL)
Countersigned

By: [Signature]
Tax Collector-Treasurer

EXHIBIT B

FORM OF DISTRICT RESOLUTION

RESOLUTION NO. 01-

RESOLUTION OF THE BOARD OF TRUSTEES OF HILLSBOROUGH 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

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), the Hillsborough City School District (the "District") may borrow money by issuing notes for any purpose for which the District is authorized to use and expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the District; and

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

WHEREAS, the County Superintendent of the County of San Mateo (the "County") has jurisdiction over the District, and this Board of Trustees (the "District Board"), being the governing board of the District, hereby requests the borrowing of not to exceed Four Million Dollars (\$4,000,000) at an interest rate not to exceed six and one-half percent (6.5%) per annum through the issuance by the Board of Supervisors of the County (the "County Board") of 2001 Tax and Revenue Anticipation Notes (the "Notes") in the name of the District; and

WHEREAS, the 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, including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose); and this Resolution specifies that certain unrestricted revenues which 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

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 in the Contract of Purchase (hereinafter referred to) and shall be in the form and executed in the manner prescribed in this Resolution, all as permitted and required by Section 53853 of the Act; and

WHEREAS, the District Board has found and determined that said \$4,000,000 maximum principal amount of Notes to be issued in the name of the District 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 represents that:

(1) the Notes authorized by this resolution are not private activity bonds within the meaning of Section 141 of the Code;

(2) the District together with all of its subordinate entities, has not issued obligations (other than those obligations described in paragraph 4 below) in calendar year 2001 the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code;

(3) the District reasonably anticipates that it, together with its subordinate entities, will issue during the remainder of calendar year 2001 obligations (other than those obligations described in paragraph 4 below) the interest on which is excluded from gross income for federal income tax purposes under to Section 103 of the Code which, when aggregated with all obligations described in paragraph 2 above, will not exceed an aggregate principal amount of \$10,000,000; and

(4) notwithstanding paragraphs (2) and (3) above, the District and its subordinate entities may have issued in calendar year 2001 and may continue to issue during the remainder of calendar year 2001 private activity bonds other than qualified 501(c)(3) bonds as defined in Section 145 of the Code.

WHEREAS, the District Board wishes to designate the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code;

NOW, THEREFORE, the Board of Trustees of Hillsborough City School District 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 \$4,000,000 principal amount of Notes under Section 53850 et seq. of the Act, designated "Hillsborough City School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes" (the "Notes"); to be numbered 1 (and consecutively upward in order of issuance if more than one Note is registered); 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 six and one-half percent (6.5%) 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 Tax Collector-Treasurer of the County, which is hereby designated to be the paying agent on the Notes (in such capacity, the "Paying Agent"), or such other paying agent as 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 in that event 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 Sections 3 and 4 hereof. There shall be printed on the

reverse of each Note, the legal opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP 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 "Board President"), said certificate to be in substantially the following form:

I HEREBY CERTIFY that the foregoing is a true and correct copy of the legal opinion regarding the Notes therein described that was manually signed by Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, and was dated as of the date of delivery of and payment for said Notes.

[Facsimile Signature]
President of the Board of Supervisors

Section 3. Deposit of Note Proceeds: No Arbitrage. The moneys so borrowed shall be deposited in the General Fund of the District. The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section 148 of the Code; and, to that end, so long as any of the Notes are outstanding, the District, and all of its officers having custody or control of such proceeds, shall comply with all requirements of said section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the Federal government, and of the Income Tax Regulations of the United States Treasury promulgated thereunder or under any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage bonds."

Section 4. 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. 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 herein and by law.

(B) Pledged Revenues. As security for the payment of the principal of and interest on the Notes, the District hereby pledges 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 February 28, 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 amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other money 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 Pledged Revenues to be deposited from unrestricted revenues in a month, then the amount of any 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 hereby covenants and warrants that it will not request the County Tax Collector-Treasurer (the "Treasurer") to make temporary transfers of funds in the custody of the Treasurer 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 in Repayment Fund. The Pledged Revenues shall be held by the Treasurer in the County investment pool and shall be accounted for by the Superintendent of Schools in a special fund designated as the "Hillsborough City School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund") and applied as directed in this Resolution. Any moneys credited to 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.

(E) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited in the Repayment Fund. After such date as the amount of Pledged Revenues deposited 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 credited to the Repayment Fund, to the greatest extent possible, shall be invested at the request of the District in investment securities, 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 5. Execution of Notes. The District hereby requests the President of the County Board, or a designated deputy thereof, to sign the Notes manually or by facsimile signature, the Clerk of the County Board (the "Clerk") to sign the Notes manually or by

facsimile signature, and the Treasurer to countersign the Notes manually or by facsimile signature (provided that at least one of the foregoing shall sign manually); the Clerk to affix the seal of the County thereto by facsimile impression thereof; and said officers to cause the blank spaces thereof to be filled in as may be appropriate.

Section 6. Sale of the Notes. The Notes shall be sold at a public sale at the time and place and on the terms provided in the County Resolution; provided that the aggregate principal amount of the Notes shall not exceed Four Million Dollars (\$4,000,000) and the maximum interest rate on the Notes shall not exceed six and one-half percent (6.5%) per annum.

Section 7. Authorization of Preliminary Official Statement and Official Statement. Cooperman & Dudick is hereby appointed as financial advisor to the District and Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP is designated as bond counsel for the District in connection with the issuance of the Notes. Either the financial advisor or bond counsel is hereby authorized to prepare a Preliminary Official Statement and an Official Statement relating to the Notes, to be used in connection with the offering and sale of the Notes. The Superintendent or his designee is hereby authorized and requested to execute and deliver the Official Statement.

Section 8. Delivery of Notes. The proper officers of the County Board are hereby requested to deliver the Notes to the Purchaser in accordance with the Notice of Sale (as defined in the County Resolution). All actions heretofore taken by the officers and agents of the District Board with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the District Board are hereby authorized and directed to do any and all things and take any and all actions, 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 resolutions hereafter adopted by the County Board.

Section 9. Further Actions Authorized. It is hereby covenanted that the District Board, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the secured property taxes pledged under this Resolution in accordance with the law and for carrying out the provisions of this Resolution.

Section 10. Recitals. All the recitals in this Resolution above are true and correct and this District Board so finds, determines and represents.

Section 11. Designation as Qualified Tax-Exempt Obligation. The District Board hereby designates the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Section 12. Action Re: Qualified Tax-Exempt Obligation. Appropriate officials of the District are hereby authorized and directed to take such other actions as may be necessary to designate such Notes as "qualified tax-exempt obligations," including, if either deemed necessary or appropriate, placing a legend to such effect on the form of Note in such form as either deemed necessary or appropriate.

Section 13. Authorization of Paying Agent to Enter into Investment Agreement:
LAIF. Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be deposited with the Treasurer as the Paying Agent for the Notes and shall be pledged to the payment of the Notes to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund. For this purpose the Paying Agent shall be deemed to be a "fiscal agent" within the meaning of Section 53601 of the Government Code of the State of California. Pursuant to Section 53601(*I*) of the Government Code of the State of California, the Paying Agent is authorized but is not required to invest the proceeds of the Notes in the Local Agency Investment Fund ("LAIF") administered by the State of California.

Section 14. Continuing Disclosure. The District Board hereby covenants and agrees that it will comply with and carry out, and authorizes and directs the District Superintendent, the District Director of Fiscal Services or the respective designees of each such person, to comply and carry out, all of the provisions of that certain Continuing Disclosure Certificate dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Resolution; however, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. The preparation of a Continuing Disclosure Certificate is hereby approved. The District Superintendent, the Director of Fiscal Services, or their respective designees are hereby authorized and directed to execute and deliver to the purchaser of the Notes the Continuing Disclosure Certificate, with such changes therein as any such official may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 15. Transmittal of Resolution. The Clerk of this Board is hereby directed to send a certified copy of this Resolution to the County Board of Supervisors, the Treasurer and the County Superintendent of Schools.

PASSED AND ADOPTED by the Board of Trustees of Hillsborough City School District this __ day of _____, 2001, by the following vote:

AYES:

NOES:

ABSENT:

By: _____
President of the Board of Trustees,
Hillsborough City School District

Attest:

By: _____
Clerk of the Board of Trustees,
Hillsborough City School District

EXHIBIT C

OFFICIAL NOTICE OF SALE

\$ _____

HILLSBOROUGH SCHOOL DISTRICT
COUNTY OF SAN MATEO
STATE OF CALIFORNIA

2001 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN that sealed and telecommunicated unconditioned proposals will be received by or on behalf of the Superintendent (the "Superintendent") of the Hillsborough School District (the "District") and the Tax Collector-Treasurer (the "Treasurer") of the County of San Mateo, California ("County"), at the office of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, 333 Market Street, Suite 2300, San Francisco, California 94105, facsimile number (415) 541-9366, on

_____, 2001

at an hour of _____ A.M., for the purchase of \$ _____ principal amount of Hillsborough School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes (the "Notes"), more particularly described below. In the event that no bid is awarded, the District will receive bids each ___ day at the same time and location until such time as a bid is awarded or the County and the District determines to withdraw sale of the Notes.

ISSUE: \$ _____, designated "Hillsborough School District, County of San Mateo, State of California, 2001 Tax and Revenue Anticipation Notes," consisting of registered notes, without coupons.

DATE AND MATURITY: The Notes will be dated the date of delivery, and will all mature on July ___, 2002.

INTEREST RATE: The maximum interest rate bid may not exceed _____ percent (___%) per annum, payable upon maturity of the Notes. Bidders must specify the rate of interest which the Notes bid upon shall bear, provided that: (i) all Notes shall bear the same interest rate; (ii) no Note shall bear more than one rate of interest; (iii) each Note shall bear interest from its date to its stated maturity at the interest rate specified in the bid; (iv) the interest rate specified must be in a multiple of 1/1000 of one percent. Interest will be computed on a 30-day month/360-day year basis.

REDEMPTION: The Notes are not subject to call and redemption prior to maturity.

FULL BOOK ENTRY: The Notes, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

PAYMENT: Both principal and interest are payable in lawful money of the United State of America at the office of the Treasurer in Redwood City, California, as Paying Agent, to DTC, which will in turn remit such principal and interest to the beneficial owners of the Notes through DTC's Participants, as described in the Preliminary Official Statement.

PURPOSE OF ISSUE: The Notes are to be issued in the name of the District by the County and are authorized pursuant to the provisions of Section 53850-53858 of the Government Code of the State of California and the provisions of resolutions of the Board of Trustees of the District (the "District Board") and of the Board of Supervisors of the County (the "County Board"), for any purpose for which the District is authorized to use and expend moneys.

SECURITY: The Notes are obligations of the District and shall not in any way be payable from County moneys, and as security for the payment of the principal of and interest on the Notes, the District pledges 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 February 28, 2002; plus an amount equal to fifty percent (50%) of the principal amount of the notes, and an amount sufficient to pay interest on the Notes and any deficiency in the amount required to be deposited during any prior month, from the unrestricted revenues received by the District in the month ending May 31, 2002. By statute, the Notes are declared to be a general obligation of the District and to the extent not paid from said pledged moneys shall be paid with the interest thereon from any other moneys of the District lawfully therefor. Under provisions of the California Constitution, the District is generally prohibited from incurring any indebtedness or liability exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of its qualified electors voting at an election called for such purpose.

TERMS OF SALE

HIGHEST BID: The Notes will be awarded on the basis of the lowest net interest rate including premium offered in the proposals. No bid for less than par will be entertained. In the event two or more bids setting forth identical interest rates and premium per dollar principal amount, if any, and aggregating a principal amount in excess of the principal amount of unawarded Notes are received, the County, acting through the Treasurer or the Treasurer's designee, and the District, acting through the Superintendent of the District (the "Superintendent") or the Superintendent's designee, reserve the right to exercise their own discretion and judgment in making the award and may award the Notes on a pro rata basis in such denominations as the County Board and District Board shall determine.

RIGHT OF REJECTION: The County, acting through the Treasurer or the Treasurer's designee, and the District, acting through the Superintendent or the Superintendent's designee, reserve the right, in their discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

PROMPT AWARD: The County, acting through the Treasurer or the Treasurer's designee, and the District, acting through the Superintendent or the Superintendent's designee, will take action awarding the Notes or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the successful bidder.

SUBSEQUENT BIDS: In the event that no bid is awarded, the County and the District shall receive bids each successive ___ day at the same time and location until such time as a bid is awarded or the County and the District determine to withdraw sale of the Notes.

DELIVERY AND PAYMENT: It is estimated that delivery of the Note will be made to the successful bidder at the office of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, 333 Market Street, Suite 2300, San Francisco, California 94105, on July __, 2001. Payment of the purchase price must be made in funds immediately available to or at the discretion of the Treasurer. The costs of registering the Notes in the name of Cede & Co., as nominee of DTC will be borne by the successful bidder.

RIGHT OF CANCELLATION: The successful bidder shall have the right at its option to cancel the contract of purchase if the County shall fail to execute the Notes and tender the same for delivery within 30 days from the date of sale thereof, and in such event, the successful bidder shall be entitled to the return of the deposit accompanying its bid.

FORM OF BID: Bids must be for all of the Notes, and must be for not less than the par value thereof. Each bid must be either telecommunicated to Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP at (415) 995-5020, or delivered, enclosed in a sealed envelope addressed to the Treasurer-Tax Collector of the County of San Mateo at the office of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, 333 Market Street, Suite 2300, San Francisco, California 94105, in either case not later than ___ A.M. on said date of sale, and endorsed "Proposal for School District, County of San Mateo, California 2001 Tax and Revenue Anticipation Notes." Each bid must be in accordance with the terms and conditions set forth herein, and must be submitted on, or in substantial accordance with, proposal forms provided by the County. The prescribed form of bid for the Notes is attached hereto as Exhibit A and all bids must be submitted on such form. Bids which do not conform to the terms of this paragraph will be rejected. Neither the District nor Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP shall be responsible for the inability of any bidder to promptly and legibly deliver its bid by telecommunication.

ESTIMATE OF NET INTEREST COST: Bidders are requested (but not required) to supply an estimate of the total net interest cost to the District on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the

District or the County. For the purpose of calculating net interest cost, assume a delivery date of July ___, 2001.

CUSIP NUMBERS: CUSIP numbers will be applied for and will be printed on the Notes and the cost of service bureau assignment will be the purchaser's responsibility. Any delay, error, or omission with respect thereto will not constitute cause for the purchaser to refuse to accept delivery of and pay for the Notes.

BID CHECK: Each bid must be accompanied by a cashier's check, drawn on a bank or trust company transacting business in the State of California, or a financial surety bond, for one percent (1%) of the principal amount of the Notes hereby offered for sale, payable to the order of the County of San Mateo.

Checks of the unsuccessful bidders will be returned by the County promptly after the award of the Notes. No interest will be paid upon the deposit made by any bidder.

The deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the District, to be held in trust by the County and the principal amount of such deposit shall be credited to the successful purchaser upon the purchase price of the Notes. If the purchase price is not paid in full upon tender of the Notes, the successful bidder shall have no right in or to the Notes or to the recovery of its deposit, unless it shall appear that the Notes cannot be validly issued in the form and manner proposed. In the event of nonpayment for the Notes upon valid tender thereof to the successful bidder, the County reserves any and all rights it may have to recover, on behalf of the District, the agreed purchase price of the Notes and, in addition, any damages suffered by the County and/or the District.

CERTIFICATION OF REOFFERING PRICE: The successful bidder shall be required, as a condition to the delivery of the Notes, to certify to the County and the District in writing the price at which a substantial amount of the Notes were sold to the public, in the form and substance satisfactory to the County, the District and Bond Counsel.

CHANGE IN TAX EXEMPT STATUS: At any time before the Notes are tendered for delivery, any successful bidder may disaffirm and withdraw its proposal if the interest received by private holders from notes of the same type and character shall be determined to be includable in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be determined to be includable in gross income by the terms of any federal income tax law enacted subsequent to the date of this notice.

CALIFORNIA DEBT ADVISORY COMMISSION: The successful bidder will be required, pursuant to the State law, to pay any fees to the California Debt Advisory Commission ("CDAC"). CDAC will invoice the successful bidder after the closing of the Notes.

DTC: The successful bidder will be required to pay the fees of DTC regarding underwriter eligibility for and utilization of the DTC book-entry system.

CLOSING PAPERS; LEGAL OPINION: Each proposal will be conditioned upon the District furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of such delivery:

(a) The opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, San Francisco, California, Bond Counsel, approving the validity of the Notes and stating that under existing statutes, regulations and court decisions, interest on the Notes is exempt from all present State of California personal income taxes and, assuming compliance with certain covenants and requirements, is excludible from gross income for federal income tax purposes (although such interest may be subject to the corporate, alternative minimum and environmental taxes), a copy of which opinion (certified by the official in whose office the original is filed) will be printed on, or attached to, each Note without cost to the purchaser;

(b) A certificate of the District that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage bonds";

(c) An opinion of County Counsel to the effect that there is no litigation threatened or pending affecting the validity of the Notes;

(d) A certificate of an appropriate District official, acting on behalf of the District solely in his official, and not in his personal capacity, that at the time of the sale of the Notes and at all times subsequent thereto, up to and including the time of the delivery of the Notes to the initial purchasers thereof, the Official Statement of the District pertaining to said Notes did not, and does not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading;

(e) The signature certificate of the officials of the County, showing that they have signed the Notes and impressed the seal of the County thereon, and that they were respectively duly authorized to execute the same; and

(f) The receipt of the Treasurer to the effect that the purchase price of the Notes has been received by such officer.

In addition, the obligations of the County to deliver the Notes to the successful bidder is conditioned upon the receipt by the County of a certificate as to issue price, dated to the date of delivery, duly executed by said bidder and in form and substance satisfactory to Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, San Francisco, California, Bond Counsel.

CONTINUING DISCLOSURE: In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the District will undertake, pursuant to a resolution of the District Board and a Continuing Disclosure Certificate, to provide certain notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement

INFORMATION AVAILABLE: Requests for information concerning the District should be addressed to:

Hillsborough City School District
300 El Cerrito Avenue
Hillsborough, CA 94010
Attention: Business Manager

Cooperman & Dudick
111 Anza Boulevard, Suite 107
Burlingame, CA 94010
(415) 342-2266

The Preliminary Official Statement, together with any supplements thereto, shall be in form "deemed final" by the District for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final official statement. The District will provide each successful bidder such number of printed copies of the Official Statement for this issue as such bidder may request. Up to _____ copies of the Official Statement will be furnished without cost within seven days of the sale, and any additional copies will be furnished at the expense of the bidder.

Dated: _____, 2001

HILLSBOROUGH CITY SCHOOL DISTRICT

By _____
Superintendent

EXHIBIT A TO EXHIBIT C
 FORM OF BID PROPOSAL FOR
 \$ _____
 HILLSBOROUGH CITY SCHOOL DISTRICT
 COUNTY OF SAN MATEO
 STATE OF CALIFORNIA
 2001 TAX AND REVENUE ANTICIPATION NOTES

Pursuant to the Official Notice of Sale for the above referenced Notes (the terms of which are made a part of this bid) we offer to purchase \$ _____ principal amount, all or none, of the Notes designated as "Hillsborough City School District, County of San Mateo, State of California, 2001 Tax Revenue Anticipation Notes" (the "Notes") at a purchase price of \$ _____.

The Notes will bear interest to maturity (calculated on the basis of a 30-day month and a 360-day year) at a rate of _____ % per annum.

The proposal is subject to acceptance not later than twenty-six (26) hours after the expiration of the time for the receipt of proposals as specified in the Official Notice of Sale.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository of the Notes. The Notes, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchasers will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

We hereby request that _____ printed copies of the Official Statement (not to exceed _____ copies at the expense of the District) be furnished us in accordance with the terms of the Official Notice of Sale.

Assuming a calculation date of July ____, 2001, our calculation of the net interest cost and net interest rate, which is considered to be informative only and not a part of the bid, is as follows:

Total Interest	\$ _____
Less Premium (if any)	(\$ _____)
Net Interest Cost	\$ _____
Net Interest Rate	_____ %

I certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest or on behalf of any person not herein named, and that the bidder has not directly or indirect induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to

refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for himself an advantage over any other bidder.

Respectfully submitted,

Name of firm

By _____

Address _____

State _____

Telephone () _____

Following is a list of the members of our account on whose behalf this bid is made.

The undersigned acknowledges the return of this good faith check:

EXHIBIT D

NOTICE OF INTENTION TO SELL

\$ _____
HILLSBOROUGH CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
STATE OF CALIFORNIA
2001 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN that sealed or facsimile bids will be received by Cooperman & Dudick, the Financial Advisor, acting on behalf of the Hillsborough City School District, County of San Mateo, State of California (the "District"), for the purchase of \$ _____ * principal amount of Hillsborough City School District, County of San Mateo, California 2001 Tax and Revenue Anticipation Notes at the hour of _____ A.M., Pacific Daylight Time, on

July __, 2001

at the office of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, 333 Market Street, Suite 2300, San Francisco, California 94105, facsimile no. (415) 541-9366. In the event that no bid is awarded, the County and the District will receive bids each ___ day at the same time and location until such time as a bid is awarded or the County and the District determine to withdraw sale of the Notes. An Official Statement and an Official Notice of Sale relating to the Notes will be furnished upon request to the Financial Advisor at (650) 342-2266.

Dated: _____, 2001

HILLSBOROUGH CITY SCHOOL DISTRICT

By: _____
Superintendent