

**RESOLUTION NO. \_\_\_\_\_**

**BOARD OF SUPERVISORS, SAN MATEO COUNTY, STATE OF CALIFORNIA**

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**RESOLUTION OF THE BOARD OF SUPERVISORS OF  
SAN MATEO COUNTY, CALIFORNIA, AUTHORIZING THE ISSUANCE OF  
SAN BRUNO PARK SCHOOL DISTRICT  
(SAN MATEO COUNTY, CALIFORNIA)  
ELECTION OF 1998 GENERAL OBLIGATION BONDS, SERIES C**

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**RESOLVED**, by the Board of Supervisors of the County of San Mateo, State of California, that

**WHEREAS**, a duly called special election was held in the San Bruno Park School District, San Mateo County, State of California (hereinafter referred to as the "District"), on April 14, 1998 (the "Election") and thereafter canvassed pursuant to law;

**WHEREAS**, at the Election there was submitted to and approved by the requisite two-thirds vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$30,000,000 payable from the levy of an ad valorem tax against the taxable property in the District;

**WHEREAS**, pursuant to such authorization by the voters, the District issued its San Bruno Park School District General Obligation Bonds, Election of 1998, Series A (the "Series A Bonds") in the aggregate principal amount of \$15,116,059.55 on August 12, 1998;

**WHEREAS**, pursuant to such authorization by the voters, on August 16, 2000, the District issued a second series of such Bonds entitled "San Bruno Park School District (San Mateo County, California) Election of 1998, General Obligation Bonds, Series B in the aggregate principal amount of \$7,999,644.05 (the "Series B Bonds") and issued \$9,628,674.40 of its San Bruno Park School District 2000 General Obligation Refunding Bonds (the "Refunding Bonds") to refund a portion of the Series A Bonds;

**WHEREAS**, at this time this Board of Supervisors (the "Board") of the County of San Mateo (the "County") has received the resolution of the governing board of the District requesting the issuance

of a third series of such bonds in an aggregate principal amount not to exceed \$7,000,000 to be styled as "San Bruno Park School District (San Mateo County, California) Election of 1998, General Obligation Bonds, Series C" (the "Series C Bonds");

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

**NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED, that:**

1. **Purpose of Series C Bonds.** To raise funds for the purposes authorized by the voters of the District at the Election and to pay all necessary legal, financial, engineering and contingent costs in connection therewith, the County hereby authorizes the issuance of the Series C Bonds on behalf of the District.

2. **Terms and Conditions of Sale.** The Series C Bonds shall be sold at a negotiated sale upon the direction of the Superintendent of the District and the Treasurer-Tax Collector of the County. The Series C Bonds shall be sold pursuant to the terms and conditions set forth in the Purchase Contract, as described below.

3. **Approval of Purchase Contract.** The form of Contract of Purchase (the "Purchase Contract") by and among the County, the District and UBS PaineWebber Inc. (the "Underwriter"), for the purchase and sale of the Series C Bonds is hereby approved and the Treasurer-Tax Collector of the County (the "Treasurer-Tax Collector"), or a designated deputy thereof, or the President of the Board of Supervisors (the "President") or such President's designee is hereby authorized to execute and deliver the Purchase Contract, and the Superintendent or Chief Business Officer of the District or such person designated by the Superintendent is hereby requested to acknowledge the execution of such Purchase Contract, if necessary, but with such changes therein, deletions therefrom and modifications thereto as the Treasurer-Tax Collector, or designated deputy thereof, or the President or such President's designee 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 Series C Bonds shall not exceed the maximum rate permitted by law and the underwriter's discount, excluding original issue discount, thereon shall not exceed 1.5% of the aggregate of principal amount of Series C Bonds issued. The Treasurer-Tax Collector, any designated deputy thereof, or the County President is further authorized to determine the principal amount of the Series C Bonds to be specified in the Purchase Contract for sale by the County Board up to \$7,000,000 and to enter into and execute the Purchase Contract with the Underwriter and the District, if the conditions set forth in this Resolution are satisfied.

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

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

(b) "Accreted Value" means with respect to the Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each February 1 and August 1 at the stated Reoffering Yield to maturity thereof, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

(c) "Bond Insurer" means any insurance company which issues a municipal bond insurance policy insuring the payment of Denominational Amount and Accreted Interest of and interest on the Series C Bonds.

(d) "Bond Payment Date" means (unless otherwise provided by the Purchase Contract), with respect to the Current Interest Bonds, February 1 and August 1 of each year commencing February 1, 2002 with respect to the interest on the Current Interest Bonds and August 1 of each year commencing August 1, 2002 with respect to the principal payments on the Current Interest Bonds, and, with respect to the Capital Appreciation Bonds, the stated maturity dates thereof, as applicable.

(e) “Bond Registrar” means the San Mateo County Treasurer-Tax Collector or such other entity designated by the San Mateo County Treasurer-Tax Collector.

(f) “Capital Appreciation Bonds” means the Series C Bonds the interest component of which is compounded semiannually on each Bond Payment Date to maturity as shown in the table of Accreted Value for such Series C Bonds in the Purchase Contract.

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

(h) “Denominational Amount” means, with respect to the Capital Appreciation Bonds, the initial purchase price thereof, which represents the principal amount thereof, and, with respect to the Current Interest Bonds, the principal amount thereof.

(i) “Depository” means the securities depository acting as Depository pursuant to Section 5(c) hereof.

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

(k) “Information Services” means Financial Information, Inc.’s Financial Daily Called Bond Service; Kenny Information Service’s Called Bond Service; Moody’s Municipal and Government; or Standard & Poor’s J.J. Kenny Information Services Called Bond Service.

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

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

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



(o) "Principal" or "Principal Amount" means, with respect to any Current Interest Bond, the principal or principal amount thereof and, with respect to any Capital Appreciation Bond, the Denominational Amount.

(p) "Record Date" means the fifteenth (15th) day of the month preceding each Bond Payment Date.

(q) "Reoffering Yield" means, unless otherwise provided by the Purchase Contract, that rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each February 1 and August 1 (commencing February 1, 2002), produces the Maturity Value on the maturity date.

(r) "Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, (516) 227-4039, Facsimile transmission: (516) 227-4190.

(s) "Term Bonds" means those Series C Bonds for which mandatory redemption dates have been established in the Purchase Contract.

(t) "Transfer Amount" mean, with respect to any Outstanding Current Interest Bond, the Principal Amount and, with respect to any Capital Appreciation Bond, the Maturity Value.

**5. Terms of the Series C Bonds.**

(a) Denomination, Interest, Dated Dates. The Series C Bonds shall be issued as any combination of Current Interest Bonds and Capital Appreciation Bonds registered as to both principal and interest, in the denominations of, with respect to the Current Interest Bonds, \$5,000 Denominational Amount or any integral multiple thereof (except for the final denomination which Denominational Amount may not be a multiple of \$5,000), and with respect to the Capital Appreciation Bonds, \$5,000 Maturity Value, or any integral multiple thereof.

Each Capital Appreciation Bond shall be dated, and shall accrete Accreted Interest from, its date of initial issuance. Capital Appreciation Bonds will not bear interest on a current basis.

Each Current Interest Bond shall be dated December 1, 2001 or such date as shall appear in the Purchase Contract (the "Dated Date"), and shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2002, in which event it shall bear interest from Dated Date.

The Series C Bonds shall bear or accrete interest at a rate or rates such that the interest rate shall not exceed the maximum rate permitted by law. Interest shall be payable on the respective Bond Payment Dates.

The Capital Appreciation Bonds shall mature in the years and shall be issued in the aggregate Denominational Amount set forth in the Purchase Contract and shall have an interest rate and shall have Denominational Amounts per each five thousand dollars (\$5,000) in Maturity Value as shown in the Accreted Value Table attached to the Purchase Contract; provided, that in the event that the amount shown in such Accreted Value Table and the Accreted Value calculated by the District and approved by the Bond Insurer by application of the definition of Accreted Value set forth in Section 4 differ, the latter amount shall be the Accreted Value of such Capital Appreciation Bond.

(b) Redemption.

(i) Optional Redemption. Unless otherwise provided in the Purchase Contract, the Current Interest Bonds maturing on or before August 1, 2011, are not subject to redemption prior to their fixed maturity dates. Unless otherwise provided in the Purchase Contract, the Current Interest Bonds maturing on or after August 1, 2012, may be redeemed before maturity at the option of the District, from any source of funds, on August 1, 2011, or on any Bond Payment Date thereafter as a whole or in part. For the purposes of such selection, Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. Unless otherwise provided in the Purchase Contract, the Current Interest

Bonds called prior to maturity will be redeemed at the following redemption prices, expressed as a percentage of par value, together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2011 and February 1, 2012	102%
August 1, 2012 and February 1, 2013	101
August 1, 2013 and thereafter	100

Unless otherwise provided in the Purchase Contract, the Capital Appreciation Bonds are not subject to optional redemption.

(ii) Mandatory Redemption. Unless otherwise provided in the Purchase Contract, the Term Bonds are subject to mandatory redemption from moneys in the Debt Service Fund established in Section 11 hereof prior to their stated maturity date, at the Principal Amount or Accreted Value thereof without premium on each August 1, in Principal Amounts as set forth in the Purchase Contract and in the Official Statement.

(iii) Selection of Bonds for Redemption. Whenever provision is made in this Resolution for the redemption of Series C Bonds and less than all Outstanding Series C Bonds are to be redeemed, the Bond Registrar identified below, upon written instruction from the District, shall select Series C Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Bond Registrar shall select Series C Bonds for redemption by lot. Redemption by lot shall be in such manner as the Bond Registrar shall determine; provided, however, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof and the portion of any Capital Appreciation Bond to be redeemed in part shall be in integral multiples of the Accreted Value per \$5,000 Maturity Value thereof.

(iv) Notice of Redemption. When redemption is authorized or required pursuant to Section 5(b)(i) hereof, the Bond Registrar, upon written instruction from the District,

shall give notice (a "Redemption Notice") of the redemption of the Series C Bonds. Such Redemption Notice shall specify: (a) the Series C Bonds or designated portions thereof (in the case of redemption of the Series C Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series C Bonds to be redeemed, (f) the Bond numbers of the Series C Bonds to be redeemed in whole or in part and, in the case of any Series C Bond to be redeemed in part only, the Principal Amount of such Series C Bond to be redeemed, and (g) the original issue date, interest rate or Reoffering Yield and stated maturity date of each Series C Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Series C Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue or accrete.

The Bond Registrar shall take the following actions with respect to such Redemption Notice:

- (a) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register.
- (b) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories.
- (c) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services.

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

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

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

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

All Series C Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 5 shall be cancelled upon surrender thereof and be delivered to or upon the order of the

County and the District. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Bond Registrar.

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

(c) Book-Entry System.

(i) Definitions. As used in this Section, the terms set forth below shall have the meanings ascribed to them:

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section.

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

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

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

has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to the Record Date, the word Nominee in this Resolution shall refer to such nominee of the Depository.

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

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



registered in whatever name or names the owners transferring or exchanging such Series C Bonds shall designate, in accordance with the provisions of this Section 5(c).

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

4. Transfer of Bonds to Substitute Depository.

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

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

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

(3) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as

depository, or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(B) In the case of any transfer pursuant to Section 5(c)(ii)(4)(A)(1) or (2), upon receipt of all outstanding Series C Bonds by the Bond Registrar, together with a written request of the District to the Bond Registrar designating the Substitute Depository, a single new Series C Bond, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Series C Bonds then outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to Section 5(c)(ii)(4)(A)(3), upon receipt of all outstanding Series C Bonds by the Bond Registrar, together with a written request of the District to the Bond Registrar, new Series C Bonds, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, provided that the Bond Registrar shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

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

(D) The District and the Bond Registrar shall be entitled to treat the person in whose name any Series C Bond is registered as the owner thereof for all purposes of this

Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Bond Registrar or the District; and the District and the Bond Registrar shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Series C Bonds. Neither the District nor the Bond Registrar shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Series C Bonds, and the Bond Registrar may rely conclusively on its records as to the identity of the owners of the Series C Bonds.

6. **Execution of Series C Bonds.** The Series C Bonds shall be signed by the President of the Board of Supervisors and the County Treasurer-Tax Collector by their manual signatures and countersigned by the manual signature of and the seal of the County affixed thereto by the Clerk of the Board of Supervisors, all in their official capacities. No Series C Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this resolution unless and until the certificate of authentication printed on the Series C Bond is signed by the Bond Registrar as authenticating agent. Authentication by the Bond Registrar shall be conclusive evidence that the Series C Bond so authenticated has been duly issued, signed and delivered under this resolution and is entitled to the security and benefit of this resolution.

7. **Bond Registrar; Transfer and Exchange.** This Board does hereby appoint the County Treasurer-Tax Collector, Redwood City, California, to act as the authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Bond Registrar") for the Series C Bonds.

So long as any of the Series C Bonds remains outstanding, the District will cause the Bond Registrar to maintain and keep all books and records necessary for the registration, exchange and transfer of the Series C Bonds as provided in this Section (the "Bond Register"). Subject to the provisions of Section 8 below, the person in whose name a Series C Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series C Bond for all purposes of this Resolution. Payment of or

on account of the Principal or Accreted Value of and premium, if any, and interest on any Series C Bond shall be made only to or upon the order of that person; neither the District, the County nor the Bond Registrar shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Series C Bonds, including interest, to the extent of the amount or amounts so paid.

Any Series C Bond may be exchanged for a like aggregate principal amount of other authorized denominations of the same maturity. The Bond Registrar shall require the payment by the bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange at the office of the Bond Registrar. A Series C Bond may be transferred only on the Bond Register upon presentation and surrender of the Series C Bond at the office of the Bond Registrar together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. Upon exchange or transfer, the Bond Registrar shall complete, authenticate and deliver a new Series C Bond or Series C Bonds of any authorized denomination or denominations requested by the Owner of the Series C Bond equal in the aggregate to the unmatured principal amount of the Series C Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

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

entitled to the same security and benefit under this Resolution as the Series C Bonds surrendered upon that exchange or transfer.

Any Series C Bond surrendered to the Bond Registrar for payment, retirement, exchange, replacement or transfer shall be cancelled by the Bond Registrar. The District and the County may at any time deliver to the Bond Registrar for cancellation any previously authenticated and delivered Series C Bonds that the District and the County may have acquired in any manner whatsoever, and those Series C Bonds shall be promptly cancelled by the Bond Registrar. Written reports of the surrender and cancellation of Series C Bonds shall be made to the District and the County by the Bond Registrar at least twice each calendar year. The cancelled Series C Bonds shall be retained for a period of time and then returned to the District or destroyed by the Bond Registrar as directed by the District.

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

8. **Payment.** Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Bond Registrar as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Bond Registrar for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount or Maturity Value of \$1,000,000 or more may request in writing to the Bond Registrar that such Owner be paid interest by wire transfer to the bank and account number on file with the Bond Registrar as of the Record Date. The principal, and prepayment premiums, if any, payable on the Current Interest Bonds and the Accreted Value and

prepayment premiums, if any, on the Capital Appreciation Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Bond Registrar. The interest, Accreted Value, Principal and premiums, if any, on the Series C Bonds shall be payable in lawful money of the United States of America. The Bond Registrar is hereby authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Series C Bonds upon payment thereof. The Series C Bonds are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series C Bonds.

9. **Form of Series C Bonds.** The Series C Bonds shall be in the forms set forth in Exhibit A hereto, allowing those officials executing the Series C Bonds to make the insertions and deletions necessary to conform the Series C Bonds to this Resolution and the Purchase Contract.

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

11. **Deposit of Proceeds of Series C Bonds.** The proceeds from the sale of the Series C Bonds, to the extent of the Denominational Amount and the Principal Amount thereof, shall be paid to the County to the credit of the fund hereby created and established and to be known as the "Series C San Bruno Park School District Building Fund" (the "Building Fund") of the District, shall be kept separate and distinct from all other District and County funds, and those proceeds shall be used solely for the purpose for which the Series C Bonds are being issued and provided further that such proceeds shall be applied solely to authorized purposes which relate to the acquisition or improvement of real property. The accrued interest and any premium received by the County from the sale of the Series C Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the "Series C San Bruno Park School District General Obligation Bond Debt Service Fund" (the "Debt Service Fund") for the Series C Bonds and used only for payment of Accreted Value or Principal of and interest on the

Series C Bonds. Interest earnings on moneys held in the Building Fund shall be retained in the Building Fund. Interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. Any excess proceeds of the Series C Bonds not needed for the authorized purposes set forth herein for which the Series C Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of Accreted Value or Principal of and interest on the Series C Bonds. If, after payment in full of the Series C Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Subject to federal tax restrictions, moneys in the funds created hereunder shall be invested in the County administered pooled investment fund in which the District is statutorily permitted or required to invest or any lawful investment permitted by Sections 16429.1 and 53601 *et seq.* of the Government Code of the State of California (the "Government Code").

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

## **12. Rebate Fund.**

(a) The District shall create and establish a special fund designated the "Series C San Bruno Park School District Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code, and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien hereunder and shall be governed by this Section and by the Tax Certificate to be executed by the District.

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



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

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

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

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

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate (or have calculated) the amount of such deficiency and deposit an amount equal to such deficiency into the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to subsection (d) of this Section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, such form to be prepared or caused to be prepared by the District.

(f) In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate

Fund exceeds the “rebate amount” calculated in accordance with said subsection, the District shall withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

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

(h) Notwithstanding anything in this Resolution to the contrary, the rebate Requirement shall survive the payment in full or defeasance of the Series C Bonds.

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

**14. Arbitrage Covenant.** The County acknowledges that the District has covenanted that it will restrict the use of the proceeds of the Series C Bonds in such manner and to such extent, if any, as may be necessary, so that the Series C Bonds will not constitute arbitrage bonds under Section 148 of the Code and the applicable regulations prescribed under that Section or any predecessor section. Calculations for determining arbitrage requirements are the sole responsibility of the District.

**15. Conditions Precedent.** Based on representations of the District and to the best knowledge of the Board, this Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the issuing of the Series C Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Series C Bonds have been performed and have been met, in regular and due form as required by law; that the full faith, credit and revenues of the District are pledged for the timely payment of the principal of and interest on the Series C Bonds; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Series C Bonds.

**16. Official Statement.** The Underwriter is hereby authorized to prepare a Preliminary Official Statement and an Official Statement relating to the Series C Bonds to be used in connection with the offering and sale of the Series C Bonds. The District and the Underwriter are hereby authorized to distribute copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the Series C Bonds and is directed to deliver copies of any final Official Statement to the purchaser of the Series C Bonds, in such time and manner as to conform with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. Notwithstanding this consent, neither the Board of Supervisors nor any officer of the County has prepared or reviewed the Official Statement of the District describing the Series C Bonds, and their Board of Supervisors and various officers of the County take no responsibility for the contents or distribution thereof.

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

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

(a) Cash: by irrevocably depositing with the County an amount of cash which together with amounts then on deposit in the Debt Service Fund (as hereinafter defined) is sufficient to pay all Series C Bonds outstanding and designated for defeasance, including all principal thereof and interest and redemption premium thereon, if any; or

(b) United States Obligations: by irrevocably depositing with the County, the Bond Registrar, or a third-party escrow agent, noncallable United States Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series C Bonds outstanding and designated for defeasance (including all principal thereof and interest and redemption premium, if any, thereon at or before their maturity date; then, notwithstanding that any of such designated Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all of such designated outstanding Series C Bonds shall cease and terminate, except only the obligation of the County and the Bond Registrar to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of this Section, to the owners of such designated Series C Bonds not so surrendered and paid all sums due with respect thereto.

For purposes of this Section, United States Obligations shall mean:

Direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the

underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "Aaa" by Moody's if the Series C Bonds are then rated by Moody's and "AAA" by Standard & Poor's if the Series C Bonds are then rated by Standard & Poor's.

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

**20. Security for the Series C Bonds.** The Board hereby covenants to levy and to direct the Treasurer-Tax Collector, on behalf of San Mateo County, to bill on all the taxable property in the District, in addition to all other taxes in the District, a continuing direct ad valorem tax annually during the period the Series C Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series C Bonds when due, which moneys when collected will be placed in the Debt Service Fund of the District established by the District for the principal of and interest on the Series C Bonds when due and as the same fall due.

**21. Resolution to Treasurer-Tax Collector.** The Clerk of this Board is hereby directed to provide a certified copy of this Resolution to the Auditor-Controller and the Treasurer-Tax Collector of San Mateo County immediately following its adoption.

**22. Effective Date.** This Resolution shall take effect immediately upon its passage.

\* \* \* \* \*

**PASSED AND ADOPTED** this 11th day of December, 2001, by the Board of Supervisors of  
San Mateo County, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

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President  
Board of Supervisors  
San Mateo County

ATTEST:

Clerk of the Board of Supervisors  
San Mateo County

By: \_\_\_\_\_

### CLERK'S CERTIFICATE

I, \_\_\_\_\_, Clerk of the Board of Supervisors of San Mateo County, California, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of said County duly and regularly and legally held at the regular meeting place thereof on December 11, 2001, of which meeting all of the members of the Board of said County had due notice and at which a quorum was present.

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

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

Dated: December 11, 2001

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Clerk

**EXHIBIT A**

**Form of Current Interest Bond**

REGISTERED NO. \_\_\_\_\_

REGISTERED \$ \_\_\_\_\_

SAN BRUNO PARK SCHOOL DISTRICT  
SAN MATEO COUNTY, CALIFORNIA  
ELECTION OF 1998 GENERAL OBLIGATION BOND, SERIES C

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>DATED AS OF:</u>	<u>CUSIP</u>
____ % per annum	August 1, ____	____, 2001	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The San Bruno Park School District (the "District") in San Mateo County, California (the "County"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing February 1, 2002. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2002, in which event it shall bear interest from December 1, 2001. Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the San Mateo County Treasurer-Tax Collector, Redwood City, California (the "Bond Registrar"). Principal is payable upon presentation and surrender of this bond at the principal office of the Bond Registrar. Interest is payable by check or draft mailed by the Bond Registrar on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). The Owner of Current Interest Bonds in the aggregate principal amount of \$1,000,000 or more may request in writing to the Bond Registrar that the Owner be paid interest by wire transfer to the bank and account number on file with the Bond Registrar as of the Record Date.

This bond is one of an authorization of \$30,000,000 of bonds approved to raise money for the purposes authorized by the voters of the District at the Election, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite two-thirds vote of the electors of the District cast at a special election held on April 14, 1998, upon the question of issuing bonds in the amount of \$30,000,000 and the resolution of the Board of Trustees of the District adopted on November 14, 2001 (the "District Resolution") and the resolution of the County Board of Supervisors adopted on December 11, 2001 (the "Bond Resolution"). This bond and the issue of which this bond is one are payable as to both principal



and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The bonds of this issue are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the bonds of this issue.

The bonds of this issue are comprised of \$\_\_\_\_\_ principal amount of Current Interest Bonds, of which this bond is a part (a "Current Interest Bond") and Capital Appreciation Bonds of which \$\_\_\_\_\_ represents the Denominational Amount and \$\_\_\_\_\_ represents the Maturity Value.

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

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

The Current Interest Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their fixed maturity dates. The Current Interest Bonds maturing on or after August 1, 20\_\_ are subject to redemption on or after August 1, 20\_\_ at the option of the District as a whole or in part on any Bond Payment Date, at the following Redemption Prices (expressed as percentages of the Principal Amount of the Current Interest Bonds to be redeemed) plus interest accrued thereon to the dates fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 20__ and February 1, 20__	____%
August 1, 20__ and February 1, 20__	____
August 1, 20__ and thereafter	____

The Current Interest Bonds maturing on August 1, 20\_\_ are subject to mandatory redemption from moneys in the Debt Service Fund prior to their stated maturity date, at the Principal Amount thereof without premium on each August 1, on and after August 1, 20\_\_, in the Principal Amounts as set forth in the following table:

<u>Redemption Dates</u>	<u>Principal Amounts</u>
TOTAL	\$

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

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

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

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

**IN WITNESS WHEREOF**, the San Bruno Park School District, San Mateo County, California, has caused this bond to be executed on behalf of the District, in the official capacities and by the manual signatures of the President of the Board of Supervisors of the County and the County Treasurer-Tax Collector, and to be countersigned by the manual signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

SAN MATEO COUNTY, CALIFORNIA

By: \_\_\_\_\_  
President, Board of Supervisors

By: \_\_\_\_\_  
Treasurer-Tax Collector

COUNTERSIGNED:

\_\_\_\_\_  
Clerk, Board of Supervisors

**SAN BRUNO PARK SCHOOL DISTRICT  
(San Mateo County, California)  
Election of 1998 General Obligation Bonds, Series C  
CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on \_\_\_\_\_, 2001.

\_\_\_\_\_  
Treasurer-Tax Collector  
of the County of San Mateo

## ASSIGNMENT

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

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

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

## LEGAL OPINION

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

\_\_\_\_\_  
(Facsimile)  
Clerk, Board of Supervisors

(Form of Legal Opinion)

**Form of Capital Appreciation Bond**

REGISTERED  
NO.

REGISTERED  
\$

SAN BRUNO PARK SCHOOL DISTRICT  
SAN MATEO COUNTY, CALIFORNIA  
ELECTION OF 1998 GENERAL OBLIGATION BOND, SERIES C

REOFFERING YIELD:      MATURITY DATE:      DATED DATE:      CUSIP

August 1, 20\_\_

REGISTERED OWNER:      CEDE & CO.

DENOMINATIONAL AMOUNT:

MATURITY VALUE:

The San Bruno Park School District (the "District") in San Mateo County, California (the "County"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above, such Maturity Value being comprised of the Denominational Amount and interest accreted thereon. This bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing February 1, 2002, at the Reoffering Yield specified above to the Maturity Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Denomination Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. Accreted Value and redemption premium, if any, are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the San Mateo County Treasurer-Tax Collector, Redwood City, California (the "Bond Registrar"). Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Bond Registrar.

This bond is one of an authorization of \$30,000,000 of bonds approved for the purpose of raising money for the purpose authorized by the voters of the District at the Election, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite two-thirds vote of the electors of the District cast at an election held on April 14, 1998, upon the question of issuing bonds in the amount of \$30,000,000 and the resolution of the Board of Trustees of the District adopted on November 14, 2001 (the "District Resolution") and the resolution of the County Board of Supervisors adopted on December 11, 2001 (the "Bond Resolution"). This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The bonds of this issue are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the bonds of this issue.

The bonds of this issue are comprised of \$\_\_\_\_\_ principal amount of Current Interest Bonds (each a "Current Interest Bond") and Capital Appreciation Bonds, of which this bond is a part, in the Denominational Amount of \$\_\_\_\_\_ and the Maturity Value of \$\_\_\_\_\_.

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

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

The Series C Bonds maturing on August 1, 20\_\_ are subject to mandatory redemption from moneys in the Debt Service Fund prior to their stated maturity date, at the Accreted Value thereof without premium on each August 1, on and after August 1, 20\_\_, in the Accreted Value as set forth in the following table:

Redemption Dates

Accreted Values

TOTAL

\$

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

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

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

**IN WITNESS WHEREOF**, the San Bruno Park School District, San Mateo County, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the President of the Board of Supervisors of the County and the County Treasurer-Tax Collector, and to be countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

**SAN MATEO COUNTY, CALIFORNIA**

By: \_\_\_\_\_  
President, Board of Supervisors

**COUNTERSIGNED:**

\_\_\_\_\_  
Clerk, Board of Supervisors

\_\_\_\_\_  
Treasurer-Tax Collector

**SAN BRUNO PARK SCHOOL DISTRICT  
(San Mateo County, California)  
Election of 1998 General Obligation Bonds, Series C  
CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on \_\_\_\_\_, 2001.

\_\_\_\_\_  
Treasurer-Tax Collector  
of the County of San Mateo

## ASSIGNMENT

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

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or by any change whatever, and the signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

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

## LEGAL OPINION

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

\_\_\_\_\_  
(Facsimile)  
Clerk, Board of Supervisors

(Form of Legal Opinion)



BOARD OF TRUSTEES  
SAN BRUNO PARK SCHOOL DISTRICT  
RESOLUTION NO. \_\_\_\_

RESOLUTION AUTHORIZING THE ISSUANCE OF SAN BRUNO PARK SCHOOL  
DISTRICT, SAN MATEO COUNTY, CALIFORNIA, ELECTION OF 1998 GENERAL  
OBLIGATION BONDS, SERIES C

WHEREAS, a duly called special municipal election was held in the San Bruno Park School District (the "District"), San Mateo County, State of California, on April 14, 1998 (the "Election") and thereafter canvassed pursuant to law;

WHEREAS, at such election there was submitted to and approved by the requisite two-thirds vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for the purposes set forth in the ballot submitted to the voters, in the maximum amount of \$30,000,000 payable from the levy of an ad valorem tax against the taxable property in the District;

WHEREAS, pursuant to such authorization by the voters, the District issued its San Bruno Park School District General Obligation Bonds, Election of 1998, Series 1998, in the aggregate principal amount of \$15,116,059.55 on August 12, 1998;

WHEREAS, pursuant to such authorization by the voters, on August 16, 2000, the District issued a second series of such Bonds entitled "San Bruno Park School District (San Mateo County, California) Election of 1998, General Obligation Bonds, Series B" in the aggregate principal amount of \$7,999,644.05 on August 16, 2000 (the "Series B Bonds") and issued \$9,628,674.40 of its San Bruno Park School District 2000 General Obligation Refunding Bonds (the "Refunding Bonds") to refund a portion of the Series A Bonds;

WHEREAS, at this time this Board has determined that it is necessary and desirable to request the issuance of a third series of such bonds in an aggregate principal amount not to exceed \$7,000,000 to be styled as "San Bruno Park School District (San Mateo County, California) Election of 1998, General Obligation Bonds, Series C" (the "Series C Bonds");

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE SAN BRUNO PARK SCHOOL DISTRICT AS FOLLOWS:

SECTION 1. Purpose. To raising money for the purposes authorized by voters of the District at the Election, this Board hereby petitions the Board of Supervisors of San Mateo County to authorize the issuance of the Series C Bonds and to order such Series C Bonds sold at a negotiated sale such that the Series C Bonds shall be dated as of a date to be determined by said Board of Supervisors, shall bear interest at a rate not to exceed that authorized at the Election, and shall be payable upon such terms and provisions as shall be set forth in the Series C Bonds.

SECTION 2. Paying Agent. This Board does hereby authorize the appointment of the Treasurer-Tax Collector of San Mateo County as the authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Bond Registrar") for the Series C Bonds on behalf of the District.

SECTION 3. Tax Covenants. The District hereby covenants with the holders of the Series C Bonds that, notwithstanding any other provisions of this Resolution, it will (1) comply with all of the provisions of the resolution of the Board of Supervisors of the County authorizing the issuance of the Series C Bonds relating to the Rebate Fund (as defined therein) and perform all acts necessary to be performed by the District in connection therewith, and (2) make no use of the proceeds of the Series C Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the Series C Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986 (the "Code").

The District will not make any use of the proceeds of the Series C Bonds or any other funds of the District, or take or omit to take any other action, that would cause the Series C Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, so long as any Series C Bonds are unpaid, the District, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

The District will not use or permit the use of its facilities or any portion thereof by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest paid on the Series C Bonds. In furtherance of the foregoing tax covenants of this Section 3, the District covenants that it will comply with the instructions and requirements of the Tax Certificate to be executed and delivered by the District on the date of issuance of the Series C Bonds, which is incorporated herein as if fully set forth herein. These covenants shall survive the payment in full or defeasance of the Series C Bonds.

SECTION 4. Legislative Determinations. This Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the issuing of the Series C Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Series C Bonds have been performed and have been met, in regular and due form as required by law; that the full faith, credit and revenues of the District are hereby pledged for the timely payment of the principal of and interest on the Series C Bonds; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Series C Bonds.

SECTION 5. Official Statement. UBS PaineWebber Inc., the Underwriter for the Series C Bonds, is hereby authorized to prepare a Preliminary Official Statement and an Official Statement relating to the Series C Bonds, to be used in connection with the offering and sale of the Series C Bonds. The Superintendent of the District (the "Superintendent"), the Chief Business Officer of the District (the "Chief Business Officer") or any person designated by the Superintendent are hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to UBS PaineWebber Inc. said Official Statement. UBS PaineWebber Inc. is hereby authorized to distribute copies of the Official Statement to persons who may be interested in the purchase of the

Series C Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Series C Bonds. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement. The Superintendent and Chief Business Officer are also authorized to deem "final" pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934 the Official Statement prior to its distribution.

SECTION 6. Contract of Purchase. In connection with the sale of the Series C Bonds the Board authorizes the Superintendent, Chief Business Officer or any person designated by the Superintendent, on behalf of the District, to execute and deliver to UBS PaineWebber Inc. a Contract of Purchase for the Series C Bonds (the form of which is on file with the Secretary), with such terms and conditions as may be acceptable to the Superintendent and the Chief Business Officer; provided, however, that the interest rate on the Series C Bonds shall not exceed that authorized at the Election, the underwriting discount (excluding original issue discount) shall not exceed 1.5%, and the aggregate principal amount of the Series C Bonds shall not exceed \$7,000,000.

SECTION 7. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Series C Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. Noncompliance with this Section shall not result in acceleration of the Series C Bonds.

SECTION 8. Authorized Actions. Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Series C Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

SECTION 9. Recitals. All the recitals in this Resolution above are true and correct and this Board so finds, determines and represents.

SECTION 10. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 14th day of November, 2001, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

BOARD OF TRUSTEES OF THE SAN  
BRUNO PARK SCHOOL DISTRICT

---

President

Attest:

---

Clerk

# SECRETARY'S CERTIFICATE

I, \_\_\_\_\_, Clerk of the Board of Trustees of the San Bruno Park School District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly and legally held at the regular meeting place thereof on November 14, 2001, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

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

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

Dated: \_\_\_\_\_, 2001

\_\_\_\_\_  
Clerk

§ \_\_\_\_\_  
**SAN BRUNO PARK SCHOOL DISTRICT**  
**(SAN MATEO COUNTY, CALIFORNIA)**  
**ELECTION OF 1998 GENERAL OBLIGATION BONDS, SERIES C**

**CONTRACT OF PURCHASE**

\_\_\_\_\_, 20\_\_

Tax Collector-Treasurer  
San Mateo County  
County Government Center  
555 County Center  
Redwood City, California 94063

San Bruno Park School District  
Board of Trustees  
500 Acacia Avenue  
San Bruno, California 94066-4298

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Contract of Purchase (the "Contract of Purchase") with San Mateo County, California (the "County"), and San Bruno Park School District (the "District"), which, upon your acceptance hereof, will be binding upon the County, the District and the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase by the County and the District and delivery of such acceptance to us at or prior to 11:59 P.M., Pacific Daylight Time, on the date hereof.

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$\_\_\_\_\_ in aggregate stated principal amount of the District's Election of 1998 General Obligation Bonds, Series C (the "Bonds"). The Bonds shall be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds shall be dated December 1, 2001 and shall bear interest payable on each February 1 and August 1, commencing February 1, 2002. The Capital Appreciation Bonds shall be dated the date of delivery and shall accrete interest from such date, compounded semiannually on February 1 and August 1, commencing on February 1, 2002. The Underwriter shall purchase the Bonds at a price of \$\_\_\_\_\_ (principal amount of the Bonds of \$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_ and plus net original issue premium of \$\_\_\_\_\_).

2. **The Bonds.** The Bonds shall mature on August 1 in the years shown on Exhibit A hereto, and shall otherwise be as described in, and shall be issued and secured pursuant to the

provisions of the Resolution of the District adopted on November 14, 2001 (the "Bond Resolution") and the Resolution of the Board of Supervisors of the County adopted December 11, 2001 (the "County Resolution" and collectively with the Bond Resolution, the "Resolutions") and Section 15100 *et seq.* of the California Education Code (the "Act").

The Bonds shall be executed and delivered under and in accordance with the provisions of this Contract of Purchase and the Resolutions. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York; the Bonds shall initially be in authorized denominations of \$5,000 principal or maturity value each or any integral multiple thereof.

3. **Use of Documents.** The District and the County hereby authorize the Underwriter to use, in connection with the offer and sale of the Bonds, this Contract of Purchase and an Official Statement (defined below), the Resolutions and all information contained herein and therein and all of the documents, certificates or statements furnished by the District or the County to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering price or yield to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Bonds.

5. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated December \_\_, 2001 (the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

6. **Closing.** At 8:00 A.M., Pacific Daylight Time, on January \_\_, 2002, or at such other time or on such other date as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Closing"), the District and the County will deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC") in New York, New York, or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and in San Francisco, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of the District.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

(a) Due Organization. The District is a public instrumentality duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Contract of Purchase, to adopt the Bond Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Contract of Purchase and the Bond Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations of the District contained in the Bonds, the Bond Resolution, the County Resolution and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase constitutes a valid and legally binding obligation of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) Internal Revenue Code. The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Contract of Purchase, the Bond Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) Litigation. As of the time of acceptance hereof and to the best knowledge of County Counsel, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or, the levy of any taxes contemplated by the Resolutions or in any way



contesting or affecting the validity or enforceability of the Bonds, this Contract of Purchase or the Resolutions or contesting the powers of the District or their authority with respect to the Bonds, the Resolutions or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Contract of Purchase or the Resolutions, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District directly, nor the County on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) Arbitrage Certificate. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(i) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(j) Continuing Disclosure. At or prior to the Closing, the District shall have duly authorized, executed and delivered a continuing disclosure certificate (the "Continuing Disclosure Certificate") on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. The Continuing Disclosure Certificate shall comply with the provisions of Rule 15c 2-12(b)(5) and be substantially in the form attached to the Official Statement in Appendix C.

**8. Representations, Warranties and Agreements of the County.** The County hereby represents, warrants and agrees with the Underwriter that:

(a) Due Organization. The County is a political subdivision duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the County has full legal right, power and authority to enter into this Contract of Purchase, to adopt the County Resolution, to issue and deliver the Bonds to the Underwriter on behalf of the District and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Contract of Purchase and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Bonds, the Bond Resolution, the County Resolution and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase constitutes a valid and legally binding obligation of the County; and (v) the County

has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the County shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) No Conflicts. To the best knowledge of the County, the issuance of the Bonds, the execution, delivery and performance of this Contract of Purchase, the County Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject.

(e) Litigation. As of the time of acceptance hereof, the best knowledge of County Counsel, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the County, threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the several offices or of the titles of the officials of the County to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the County pledged or to be pledged or available to pay the principal or accreted value of and interest on the Bonds, or the pledge thereof, or the levy on any taxes contemplated by the Resolutions, or in any way contesting or affecting the validity or enforceability of the Bonds, this Contract of Purchase or the Resolutions or contesting the powers of the County or their authority with respect to the Bonds, the Resolutions or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the County or the consummation of the transactions contemplated by this Contract of Purchase or the Resolutions, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(f) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, the County will not have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(g) Arbitrage Certificate. The County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the County is a bond issuer whose arbitrage certificates may not be relied upon.

(h) Certificates. Any certificates signed by any officer of the County and delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter, but not by the person signing the same, as to the statements made therein.

9. **Covenants**. The County covenants and agrees with the Underwriter that:

A. **Covenants of the County**.

(i) Securities Laws. The County will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the County shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof; provided, however, that the Underwriter assumes all responsibility for qualifying the Bonds for offer and sale under the securities laws and regulations of the states and jurisdictions in which the Underwriter sells the Bonds;

(ii) Official Statement. The County hereby agrees to cooperate with the District in connection with the District's obligation to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Contract of Purchase is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter, the County and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such reasonable quantity as may be requested by the Underwriter not later than seven (7) business days following the date this Contract of Purchase is signed, in order to permit the Underwriter to comply with paragraph (b)(3) of the Rule and with the rules of the Municipal Securities Rulemaking Board; and

(iii) Subsequent Events. The County hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the County until the date which is ninety (90) days following the Closing.

B. **Covenants of the District**. The District hereby covenants and agrees with the Underwriter that:

(i) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof; provided, however, that the Underwriter assumes all responsibility for qualifying the Bonds for offer and sale under the securities laws and regulations of the states and jurisdictions in which the Underwriter sells the Bonds;

(ii) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the Bond Resolution;

(iii) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Contract of Purchase is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter, the County and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such reasonable quantity as may be requested by the Underwriter not later than seven (7) business days following the date this Contract of Purchase is signed, in order to permit the Underwriter to comply with paragraph (b)(3) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(iv) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is ninety (90) days following the Closing;

(v) Amendments to Official Statement. For a period of ninety (90) days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale, the District will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

10. **Conditions to Closing.** The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the County and the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Contract of Purchase are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the County and the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the

statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the County and the District shall be in compliance with each of the agreements made by it in this Contract of Purchase;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Contract of Purchase, the Bond Resolution and the County Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Act which, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County and the District shall perform or have performed all of their obligations required under or specified in the Bond Resolution, the County Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside), or to the best knowledge of the County pending or threatened which has any of the effects described in Section 7(f) or 8(e) hereof or contesting in any material way the completeness or accuracy of the Official Statement;

(d) Marketability. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, of the Bonds shall not have been materially adversely affected in the judgment of the Underwriter (evidenced by a written notice to the County and the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) the declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency; or

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall receive three copies of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the County and the District;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter can rely upon the approving opinion described in (e)(1) above;

(3) Certificates. A certificate signed by appropriate officials of the County and the District to the effect that (i) such officials are authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the

County and the District herein are true and correct in all material respects as of the date of Closing, (iii) the County and the District have complied with all the terms of the Bond Resolution, the County Resolution and this Contract of Purchase to be complied with by the County and the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such officials have reviewed the Official Statement and on such basis certify that the Official Statement does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the County Resolution.

(4) Arbitrage. A nonarbitrage certificate of the District in form satisfactory to Bond Counsel;

(5) Rating. Evidence satisfactory to the Underwriter that the Bonds shall have been rated "Aaa" by Moody's Investors Service, and "AAA" by Standard & Poor's Ratings Services (or such other equivalent ratings as such rating agencies may give) based on the issuance of the policy of insurance for the Bonds and that any such rating has not been revoked or downgraded;

(6) Bond Resolution. A certificate, together with fully executed copies of the Bond Resolution, of the Clerk of the District Board of Trustees to the effect that:

(i) such copies are true and correct copies of the Bond Resolution; and

(ii) that the Bond Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(7) County Resolution. A certificate, together with fully executed copies of the County Resolution, of the Clerk of the County Board of Supervisors to the effect that:

(i) such copies are true and correct copies of the County Resolution; and

(ii) that the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(8) County Counsel Opinion. An opinion of Counsel to the County in the form attached hereto as Appendix B;

(9) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with the Rule;

(10) Policy of Insurance. A policy of insurance from an insurance provider satisfactory to the Underwriter, insuring the payment of principal or accreted value of and interest on the Insured Bonds; and

(11) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the County and the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the County and the District herein contained and of the Official Statement, and (iii) the due performance or satisfaction by the County and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriter prior to the close of business, Pacific Standard Time, on December \_\_, 2001 then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 12 hereof.

If the County and/or the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Contract of Purchase or if the Underwriter's obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County and the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

11. **Conditions to Obligations of the County and the District.** The performance by the County and the District of their obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the County and the District.

12. **Expenses.** The Underwriter shall pay costs of issuance of the Bonds on behalf of the District in the amount of \$\_\_\_\_\_, including but not limited to the following: (i) the premium for any policy of municipal bond insurance insuring payment of the Bonds; (ii) the cost of the preparation and reproduction of the Resolutions; (iii) the fees and disbursements of Bond Counsel; (iv) the cost of the preparation and delivery of the Bonds; (v) the fees, if any, for bond ratings, including all necessary travel expenses; (vi) the cost of the printing and distribution of the Official Statement; (vii) the initial fees, if any, of the Paying Agent; (viii) the fees and expenses of the County with respect to its participation in the issuance of the Bonds. Any such expenses which exceed in the aggregate \$\_\_\_\_\_ shall be paid by the District and may be paid from the proceeds of the Bonds. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, travel and other expenses (except as provided above), shall be paid by the Underwriter.



13. **Notices.** Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the County, to the Tax Collector-Treasurer of San Mateo County, County Government Center, 555 County Center, Redwood City, California 94063, if to the District, to the Superintendent, San Bruno Park School District, 500 Acacia Avenue, San Bruno, California 94066-4298, or if to the Underwriter, to UBS PaineWebber Inc., 777 South Figueroa Street, 50th Floor, Los Angeles, California 90017.

14. **Parties in Interest; Survival of Representations and Warranties.** This Contract of Purchase when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Contract of Purchase is made solely for the benefit of the County, the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All your representations, warranties and agreements of the County and the District in this Contract of Purchase shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Contract of Purchase.

15. **Execution in Counterparts.** This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

16. **Applicable Law.** This Contract of Purchase shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

UBS PAINEWEBBER INC.

By: \_\_\_\_\_  
Authorized Officer

The foregoing is hereby agreed to and accepted as of the date first above written:

SAN MATEO COUNTY

By: \_\_\_\_\_  
Tax Collector-Treasurer

SAN BRUNO PARK SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

## APPENDIX A

\$ \_\_\_\_\_  
Current Interest Bonds

Maturity Date ( <u>August 1</u> )	Principal <u>Amount</u>	<u>Rate</u>	<u>Yield</u>
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\$ \_\_\_\_\_  
Capital Appreciation Bonds

Maturity Date ( <u>August 1</u> )	Original Principal <u>Amount</u>	Reoffering Principal <u>Amount</u>	Maturity <u>Value</u>	Reoffering <u>Yield</u>
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### Redemption Provisions

[to come]

## APPENDIX B

### OPINION OF COUNTY COUNSEL

§ \_\_\_\_\_  
SAN BRUNO PARK SCHOOL DISTRICT  
(SAN MATEO COUNTY, CALIFORNIA)  
ELECTION OF 1998 GENERAL OBLIGATION BONDS, SERIES C

Ladies and Gentlemen

As counsel to the Board of Supervisors (the "Board") of San Mateo County, California (the "County"), I have reviewed the Official Statement for the above-described bonds (the "Bonds"), the Resolution of the Board adopted on December 11, 2001 with respect to the Bonds (the "Resolution") and the Contract of Purchase (the "Contract of Purchase"), dated as of December 11, 2001, by and among the County, San Bruno Park School District and UBS PaineWebber Inc.

Having reviewed these documents, it is my opinion that:

1. The County is a political subdivision duly organized and existing pursuant to the Constitution and the laws of the State of California.
2. The Resolution was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.
3. To my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the County, which would adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the levy or collection of tax revenues pledged for the Bonds or in any way contesting or affecting the validity of the Resolution or Bonds or the transactions described in and contemplated by the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Resolution, the Contract of Purchase, or the Bonds, or in which a final adverse decision could materially adversely affect the operations of the County.
4. To the best of my knowledge, the obligations of the County under the Bonds and the execution and delivery of the Contract of Purchase and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject.

Very truly yours,

**ISSUE—FULL BOOK-ENTRY****RATINGS:**

Insured Ratings: S&P: \_\_\_\_; Moody's: \_\_\_\_  
(See "MISCELLANEOUS - Ratings" herein.)

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

\$ \_\_\_\_\_  
**SAN BRUNO PARK SCHOOL DISTRICT**  
**San Mateo County, California**  
**Election of 1998 General Obligation Bonds, Series C**

**Dated: Current Interest Bonds: December 1, 2001****Due: August 1, as shown below****Capital Appreciation Bonds: Date of Delivery**

The San Bruno Park School District, San Mateo County, California, Election of 1998 General Obligation Bonds, Series C (the "Bonds"), were authorized at an election of the registered voters of the San Bruno Park School District (the "District") held on April 14, 1998 at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$30,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to repair school facilities.

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

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

Interest with respect to the Current Interest Bonds accrues from December 1, 2001 and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2002. The Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

The Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually February 1 and August 1 of each year, commencing February 1, 2002. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Accreted Value or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be paid by the San Mateo County Treasurer-Tax Collector, as Bond Registrar and Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry Only System" herein.

**The Bonds are subject to optional and mandatory redemption as described herein.**

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_ (the "Insurer"). (See "BOND INSURANCE" herein and Appendix E - Form of Insurance Policy.)

[LOGO]

**MATURITY SCHEDULE****\$ \_\_\_\_\_ \* Current Interest Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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**\$ \_\_\_\_\_ \* Capital Appreciation Serial Bonds**

<u>Due</u> <u>(August 1)</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Coupon</u> <u>Yield</u> <u>to Maturity</u>	<u>Reoffering</u> <u>Yield</u> <u>to Maturity</u>	<u>Final</u> <u>Accreted</u> <u>Value</u>	<u>Due</u> <u>(August 1)</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Coupon</u> <u>Yield</u> <u>to Maturity</u>	<u>Reoffering</u> <u>Yield</u> <u>to Maturity</u>	<u>Final</u> <u>Accreted</u> <u>Value</u>
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This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. The Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York on or about December \_\_, 2001.*

**UBS PAINEWEBBER INC.**

Dated: November \_\_, 2001

\* Preliminary, subject to change.

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

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

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

## **SAN MATEO COUNTY**

### **County Board of Supervisors**

Michael D. Nevin, President  
Jerry Hill, Vice President  
Mark Church, Member  
Rose Jacobs Gibson, Member  
Richard Gordon, Member

## **SAN BRUNO PARK SCHOOL DISTRICT**

### **District Governing Board**

William J. Henderson, Jr., President  
Robert Schwab,\* Vice President  
Christopher P. Kiely, Clerk  
Charles J. Zelnik, Jr., Representative  
Charles R. Hanley, Member at Large

---

\* After December 12, 2001, Robert Schwab will vacate his seat and the new board member will be Brian Kramer.

### **District Administration**

Donna L. Elder, Superintendent  
Gary Barsocchini, Assistant Superintendent  
Steve R. Fuentes, Chief Business Officer

## **PROFESSIONAL SERVICES**

### **Bond Counsel**

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

### **Underwriter**

UBS PaineWebber Inc.  
Los Angeles, California

### **Paying Agent and Bond Registrar**

San Mateo County Treasurer-Tax Collector  
Redwood City, California

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**SAN BRUNO PARK SCHOOL DISTRICT**  
**San Mateo County, California**  
**Election of 1998 General Obligation Bonds, Series C**

**INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of San Bruno Park School District, San Mateo County, California, Election of 1998 General Obligation Bonds, Series C (the "Bonds").

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

**The District**

The San Bruno Park School District (the "District") was organized as an elementary school district in 1907. The District provides kindergarten through eighth grade educational services to an area of approximately 14.8 square miles in the County of San Mateo, about 12 miles south of the City and County of San Francisco. The District contains all but a small portion of the City of San Bruno, some unincorporated areas including part of San Francisco International Airport and a significant area underlying San Francisco Bay. The District operates seven elementary schools (K-6) and one intermediate school (7-8) and in 2000-01 provided education to 2,900 students. The District's average daily attendance for fiscal year 2000-01 was 2,847 and the District had a 2000-01 assessed valuation of \$3,555,132,267. The District's estimated average daily attendance for fiscal year 2001-02 is 2,828 and the District has a 2001-02 assessed valuation of \$3,878,969,841. See "SAN BRUNO PARK SCHOOL DISTRICT."

The District is governed by a five-member Governing Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Donna L. Elder is the District Superintendent. See "SAN BRUNO PARK SCHOOL DISTRICT."

**Purpose of the Bonds**

The net proceeds of the Bonds will be used to renovate and upgrade school classrooms.

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Education Code and pursuant to resolutions adopted by the Governing Board of the District and Board of Supervisors of San Mateo County. See "THE BONDS - Authority for Issuance."

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\* Preliminary, subject to change.

## Sources of Payment for the Bonds

The Bonds are general obligations of the District. The Board of Supervisors of San Mateo County (the "County") has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds (except certain personal property which is taxable at limited rates). See "THE BONDS - Security and Sources of Payment" and "SAN BRUNO PARK SCHOOL DISTRICT."

## Description of the Bonds

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

**Current Interest and Capital Appreciation Bonds.** The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Capital Appreciation Bonds are payable only at maturity or redemption and will not bear interest on a current basis. The Accreted Value ("Accreted Value") of each Bond is equal to its initial purchase price (the "Denominational Amount") and the accreted interest between the delivery date and its respective maturity date.

**Denominations.** Individual purchases of interest in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or Accreted Value, as applicable, or any integral part thereof. One Capital Appreciation Bond may have an odd Accreted Value.

**Redemption.** The Current Interest Bonds maturing on or before August 1, 2011\* are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2012\* are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, on August 1, 2011\*, or on any Bond Payment Date (as defined herein) thereafter as a whole, or in part at the redemption prices stated within (expressed as a percentage of the principal amount of the Current Interest Bonds called for redemption), together with interest accrued thereon to the date of redemption. See "THE BONDS — Redemption" herein. The Capital Appreciation Bonds are not subject to optional or mandatory redemption prior to their stated maturity dates. See "THE BONDS - Redemption" herein.

**Payments.** Interest on the Current Interest Bonds accrues from the date of delivery, and is payable semiannually on each February 1 and August 1, commencing February 1, 2002. Principal on the Current Interest Bonds is payable on August 1, commencing August 1, 2002, in the amounts and years as set forth on the cover page hereof. Interest on the Capital Appreciation Bonds accretes from the date of their delivery at the approximate yields per annum set forth on the cover page hereof, compoundable semiannually on February 1 and August 1 of each year, commencing February 1, 2002, payable only at maturity, according to the amounts set forth in the accreted value tables as shown in Appendix F. The Accreted Value of the Capital Appreciation Bonds is payable on August 1, in the amounts and years as set forth in Appendix F and on the cover page hereof. Payments of the Accreted Value of the Bonds will be made by check of the County Treasurer-Tax Collector, Redwood City, California, the District's paying

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\* Preliminary, subject to change.

agent, registrar and transfer agent (the "Paying Agent") mailed to the registered owner thereof (provided that registered owners of at least \$1,000,000 in aggregate principal amount of Bonds may receive interest by wire transfer as described herein).

**Bond Insurance.** The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by \_\_\_\_\_ (the "Insurer"). See "THE BONDS - Bond Insurance" and "MISCELLANEOUS -- Ratings" herein.

## **Tax Matters**

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

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC in New York, New York on or about December \_\_, 2001.

## **Bondowner's Risks**

The Bonds are general obligations of the District payable from *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "SAN BRUNO PARK SCHOOL DISTRICT."

## **Continuing Disclosure**

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

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, is located at 44 Montgomery Street, Suite 4200, San Francisco, California 94104. The County Treasurer-Tax Collector will be acting as Paying Agent for the Bonds. The Paying Agent's office is located at 555

County Center, Redwood City, California 94063. Stradling Yocca Carlson & Rauth, a Professional Corporation, will receive compensation from the District contingent upon the sale and delivery of the Bonds. Goodell, Porter & Fredericks, LLP, Certified Public Accountants, Sacramento, California prepared the District's 1999-2000 Audit Report, excerpts of which are attached hereto as Appendix B.

### **Other Information**

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

This Official Statement and any continuing disclosure documents of the District are intended to be made available through *The Bond Buyer*, Secondary Market Disclosure, 395 Hudson Street, 3rd Floor, New York, New York 10014, telephone: (212) 807-3814.

Copies of documents referred to herein and information concerning the Bonds are available from the San Bruno Park School District, 500 Acacia Avenue, San Bruno, California 94066-4298, telephone: (650) 624-3100. The District may impose a charge for copying, mailing and handling.

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

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

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

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued pursuant to the provisions of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act"), commencing with Section 15100, as amended, Article XIII A of the California Constitution and pursuant to resolutions adopted by the Board of Trustees of the District on November 14, 2001, and by the Board of Supervisors of San Mateo County (the "County") on \_\_\_\_\_, 2001 (collectively, the "Resolution"). The District received authorization at an election held on April 14, 1998, by a two-thirds majority of the votes cast by eligible voters within the District to issue not to exceed \$30,000,000 of general obligation bonds (the "Authorization").

On August 12, 1998, the District issued \$15,116,059.55 of its San Bruno Park School District General Obligation Bonds, Election of 1998, Series 1998 (the "Series A Bonds"). On August 16, 2000, the District issued \$9,628,674.40 of its San Bruno Park School District 2000 General Obligation Refunding Bonds (the "Refunding Bonds") to refund a portion of the Series A Bonds. Also on August 16, 2000, the District issued a second series of general obligation bonds under the Authorization in the principal amount of \$7,999,644.05 (the "Series B Bonds"). The Bonds represent the third and final series of bonds sold under the Authorization.

### **Security and Sources of Payment**

The Bonds are general obligations of the District. The Bonds are payable from ad valorem taxes. The Board of Supervisors of the County is empowered and is obligated to levy ad valorem taxes, without limitation as to rate or amount, for the payment of the interest on and principal of the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the District's Interest and Sinking Fund, which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Bonds and interest thereon when due. Although the County is obligated to levy an ad valorem tax for the payment of the Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. See "SAN BRUNO PARK SCHOOL DISTRICT – Ad Valorem Property Taxation" herein for information on the District's tax base.

The amount of the annual ad valorem tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. A reduction in the assessed valuation of taxable property in the District due to economic factors and other factors outside the District's control, such as economic recession, deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in annual tax levy.

### **Bond Insurance Policy**

[to come]

### **General Provisions**

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

Interest with respect to the Current Interest Bonds accrues from December 1, 2001, and is payable semiannually on February 1 and August 1 of each year commencing February 1, 2002. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15, 2002, in which event it shall bear interest from the date of delivery. The Current Interest Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the cover page hereof.

The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year commencing February 1, 2002. The Capital Appreciation Bonds are issuable in denominations of \$5,000 maturity value or any integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, according to the amounts set forth in the table of accreted values (see "APPENDIX F -- TABLE OF ACCRETED VALUES" herein.).

Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount or Maturity Value of \$1,000,000 or more may request in writing to the Paying Agent that Such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and prepayment premiums, if any, payable on the Current Interest Bonds and the Accreted Value and prepayment premiums, if any, on the Capital Appreciation Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The interest, Accreted Value, principal and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

## Annual Debt Service

Annual debt service obligations for the unrefunded portion of the Series A Bonds, the Refunding Bonds, the Series B Bonds and the Bonds, assuming no redemptions are made, are as follows:

Year Ending August 1	Series C Bonds							
	Unrefunded Series A Bonds	Refunding Bonds	Series B Bonds	Current Interest Bonds		Capital Appreciation Bonds		Total
	Annual Debt Service	Annual Debt Service	Annual Debt Service	Annual Principal Payment	Annual Interest Payment	Annual Principal Payment	Annual Accreted Interest Payment	Annual Debt Service
2002		\$1,013,280.00	\$248,712.50					
2003		1,051,015.00	250,432.50					
2004		1,146,085.00	191,947.50					
2005		1,186,030.00	195,717.50					
2006		1,227,435.00	199,265.00					
2007		1,270,015.00	207,585.00					
2008		1,312,930.00	210,435.00					
2009		875,790.00	703,015.00					
2010		904,790.00	728,265.00					
2011		935,000.00	745,665.00					
2012		965,000.00	770,350.00					
2013	\$1,010,000.00	--	786,750.00					
2014	1,045,000.00	--	815,000.00					
2015	1,080,000.00	--	840,000.00					
2016	1,115,000.00	--	870,000.00					
2017	1,155,000.00	--	895,000.00					
2018	1,195,000.00	--	920,000.00					
2019	1,235,000.00	--	950,000.00					
2020	1,275,000.00	--	985,000.00					
2021	1,320,000.00	--	1,015,000.00					
2022	1,365,000.00	--	1,045,000.00					
2023	1,410,000.00	--	1,080,000.00					
2024	--	--	2,575,000.00					
2025	--	--	2,660,000.00					
2026	--	--	--					
Total	\$13,205,000.00	\$11,887,370.00	\$19,888,140.00					

## Application and Investment of Bond Proceeds

The proceeds from the sale of the Bonds will be used by the District to: (i) pay the costs of renovating and upgrading school classrooms, and (ii) pay certain costs of issuance of the Bonds.

The proceeds from the sale of the Bonds shall be paid to the County to the credit of the San Bruno Park School District General Obligation Bond Building Fund (the "Building Fund"). Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the San Bruno Park School District General Obligation Bond Debt Service Fund (the "Debt Service Fund") for the Bonds and used only for payment of Accreted Value or principal and interest, as appropriate, on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of Accreted Value or principal and interest, as appropriate, on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Moneys in the Building Fund and the Debt Service Fund are expected to be invested through the San Mateo County Treasury Pool. See "SAN MATEO COUNTY TREASURY POOL" herein.



## Redemption

**Optional Redemption.** The Current Interest Bonds maturing on or before August 1, 2011\* are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2012\* are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, on August 1, 2011\*, or on any Bond Payment Date thereafter as a whole, or in part at the following redemption prices (expressed as a percentage of the principal amount of the Current Interest Bonds called for redemption), together with interest accrued thereon to the date of redemption.

<u>Redemption Dates*</u>	<u>Redemption Price*</u>
August 1, 2011 and February 1, 2012	102%
August 1, 2012 and February 1, 2013	101
August 1, 2013 and thereafter	100

The Capital Appreciation Bonds are not subject to optional redemption.

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

**Notice of Redemption.** Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than forty-five days prior to the redemption date (i) to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such redemption notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depositories" shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Tel: (516) 227-4039 and Fax: (516) 227-4190.

The actual receipt by the owner of any Bond (hereinafter referred to as "Bondowner") or of any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

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

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for the purpose in the Debt Service Fund, the Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at said redemption price out of the Debt Service Fund, and no interest will accrue on such Bonds called for redemption after the redemption date specified in such notice, and the owners of said Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the premium thereon only to said Debt Service Fund.

#### **Book-Entry Only System**

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate for each maturity will be issued for the Bonds in the aggregate principal amount of each maturity for the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

Principal, Accreted Value, premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the District or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Accreted Value to DTC is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Neither the District, the County nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 15th day of the month preceding the Maturity Date.

#### **Defeasance**

Any outstanding Bonds shall be deemed to have been paid if there shall be on deposit in the Debt Service Fund of the District moneys in an amount sufficient (together with interest thereon) to pay the principal, Accreted Value, interest and premium, if any, represented by such outstanding Bonds, payable on their respective maturity dates. The Bondowners of such Bonds shall be entitled to the principal, Accreted Value, interest and premium, if any, represented by such Bonds, and the District shall remain liable for such payments, but only out of such moneys on deposit in the Debt Service Fund of the District for such payment.

## ESTIMATED SOURCES AND USES OF FUNDS

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

### Sources of Funds

Principal Amount of Bonds	\$
Plus Net Original Issue Premium	_____
Total Sources	<u>\$</u>

### Uses of Funds

Building Fund	\$
Debt Service Fund	
Costs of Issuance <sup>(1)</sup>	_____
Total Uses	<u>\$</u>

<sup>(1)</sup> All costs of issuance including insurance premium for the Bonds and underwriter's discount.

## SAN MATEO COUNTY TREASURY POOL

The following information was provided by the County Treasurer's Office.

The County Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited in the County Treasury by the County, all County school districts, various special districts, and some cities within the County. State law requires that all moneys of the County, school districts and certain special districts be held in the County Treasury by the County Treasurer. The County Treasurer accepts funds primarily from agencies located within the County. There are currently approximately 600 participants in the pool, the largest being school districts in the County (representing 33.6% of the pool) and the San Mateo County Transportation Authority (representing 18.8% of the pool). The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, state and federal funding and other fees and charges. State and federal funding and other fees and charges. As of September 30, 2001, investments in the pool were held for local agencies in the following amounts:

<u>Participant Category</u>	<u>Invested Funds<sup>(1)</sup></u>	<u>% of Total</u>
School Districts	\$522,048,591	33.6%
Cities	132,154,314	8.5
Special Districts	63,532,177	4.1
Bay Area Air Quality District	63,873,479	4.1
San Mateo County Transportation Authority/JPB	292,039,523	18.8
All Other San Mateo County Funds	481,452,889	31.0
Total	<u>\$1,555,100,972</u>	<u>100.0%</u>

<sup>(1)</sup> Amounts represent cash balances as of September 30, 2001.

As of September 30, 2001, the composition, carrying amount, and market value of the County's cash and investment pool were as follows:

<u>Security</u>	<u>Carrying Value<sup>(1)</sup></u>	<u>Market Value<sup>(2)</sup></u>	<u>% of Total</u>
Repurchase Agreements / Cash Equivalents	\$717,266,244	\$718,761,033	45.92%
Corporate Notes	286,130,525	299,211,153	19.11
U.S. Treasury Securities	423,451,525	441,159,694	28.18
U.S. Government Agencies	<u>104,077,137</u>	<u>106,223,947</u>	<u>6.79</u>
Totals	<u>\$1,530,925,431</u>	<u>\$1,585,355,827</u>	<u>100.0%</u>

(1) The "carrying value" of the pool securities represents the cost of such securities to the County.

(2) The "market value" of the pool securities is composed of the market value of such securities plus accrued interest.

The composition and value of investments under management in the County pool will vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

As reflected in the table above, as of September 30, 2001, the carrying value and market value of investments credited to the pool were \$717,266,244 and \$718,761,033, respectively. As of September 30, 2001, the dollar weighted average portfolio maturity of the pool was 1.6 years and the duration was 1.4 years. Less than 33% of the assets of the investment pool come from public agencies which can make discretionary withdrawals for the purposes of making alternative investments. There have not been any unanticipated or unusual withdrawals from the pool in the last six months. County management believes the liquidity in the portfolio is adequate to meet expected cash flow requirements and preclude the County from the need to sell investments at below carrying value. However, the County has in the past and may in the future elect to sell securities below carrying value, borrow short-term debt to fund cash flow needs, and take other actions as the County Treasurer-Tax Collector may deem warranted by prudent fiscal management.

On January 10, 2001, the Board adopted a new investment policy (the "County Investment Policy"). To meet the requirements of both liquidity and long-term investment needs, the County Investment Policy created the County pool. The County pool attempts to match maturities with capital expenditures and other planned outlays. It is designed as an income fund to maximize the return on investible funds over various market cycles, consistent with limiting risk and prudent investment principles. Yield is considered only after safety and credit quality have been met. The purpose of the fund is to provide investors with a reasonably predictable level of income.

The maximum allowable maturity of instruments in the County pool at the time of investment will be 15 years and the maximum dollar weighted average maturity of the fund will be five years. Subject to California law, funds deposited in the County pool under the County Investment Policy may only be reclaimed at the rate of 20% of the principal balance per month, exclusive of apportionment, payrolls and day-to-day operations, unless specifically authorized by the Treasurer. Gains and losses in the County pool are proportionately allocated to each depositor quarterly, each being given credit for accrued interest earnings and capital gains based on their average daily pool balance. The minimum balance for an outside agency to maintain an account in the County pool is \$100,000.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes. Any requests to withdraw funds for purposes other than cash flow are subject to the limit of 20% of the

principal balance per month described above and to the consent of the Treasurer. Such requests will be subject to the Treasurer's consideration of the stability and predictability of the County pool or the adverse effect on the interests of the other depositors in the County pool.

The Treasurer may not leverage the County pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by the County Investment Policy in accordance with California law. The Investment Officer is prohibited from doing personal business with brokers that do business with the County.

The fund also permits investments in repurchase agreements in an amount not exceeding 100% of the fund value. Collateralization on repurchase agreements is set at 102%. Reverse repurchase agreements are limited to 20% of the fund and must have a maximum maturity of 92 days or maturity equal to, or shorter than, the stated final maturity of the security underlying the reverse repurchase agreement itself. Currently there are no reverse repurchase agreements in the County pool and the County does not generally invest in reverse repurchase agreements. The County has not been required to make any collateral calls with respect to reverse repurchase agreements previously maintained in the fund.

Currently, voluntary participants account for 32.7% of the County pool's asset value; however, a contract with the Bay Area Air Quality Management District ("BAAQMD"), which accounts for 3.5% of the total portfolio, mitigates the risk of immediate withdrawal by the BAAQMD. The other voluntary investors have monthly limitations on withdrawals of 20% of its asset value, as do all participants as described above.

The Board has established an eight-member County Treasury Oversight Committee. There are four designated members: the County Budget Officer or his designee; the County Superintendent of Schools or his designee; a person appointed by the Board of Supervisors; and a person selected by a majority of the presiding officers of the governing bodies of the school districts and the community college district in the County. In addition there are four members nominated by the Treasurer and confirmed by the Board of Supervisors who have expertise, or an academic background, in public finance and investment.

The Oversight Committee meets at least quarterly to evaluate general strategies, to monitor results and to evaluate the economic outlook, portfolio diversification, maturity structure and potential risks to the funds. It will also consider cash projections and needs of the various participating entities, control of disbursements and cost-effective banking relationships.

The Treasurer prepares a monthly report for the County pool participants, the Board of Supervisors and members of the Oversight Committee stating the type of investment, name of the issuer, maturity date, par and dollar amount of the investment. The report also lists average maturity and market value. In addition, the Treasurer prepares a quarterly cash flow report which sets forth projections for revenue inflows and interest earnings as compared to the projections for the operating and capital outflows of depositors. The projection will be for at least the succeeding twelve months. An annual audit of the portfolios, procedures, reports and operations related to the County pool will be conducted in compliance with California law.

The County Investment Policy is reviewed and approved annually by the Board. All amendments to the policy must be approved by the Board.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

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

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, and (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

### **Legislation Implementing Article XIII A**

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

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

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

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



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

### **Unitary Property**

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

### **Proposition 39**

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

The 55 percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this

proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

California public school facilities are the responsibility of over 1,000 school districts and county offices of education. Over the years, the State has provided a significant portion of the funding for these facilities through the State schools facilities program. Most recently, this program was funded with \$6.7 billion in State general obligation bonds approved by the voters in November 1998. Under this program, the State generally pays 50 percent of the cost of new school facilities; 80 percent of the cost of modernizing existing facilities; and 100 percent of the cost of either new facilities or modernization in "hardship cases." In addition to State bonds, funding for school facilities has been provided from a variety of other sources, including: school district general obligation bonds; special local bonds (known as "Mello-Roos" bonds); and fees that school districts charge builders on new residential, commercial, and industrial construction.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2 percent of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

## **Proposition 62**

A statutory initiative ("Proposition 62") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld

Proposition 62 in its decision on August 28, 1995, in *San Mateo County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

#### **Article XIII B of the California Constitution**

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

- (a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

## **Article XIII C and Article XIII D of the California Constitution**

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

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

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

## **Propositions 98 and 111**

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the

extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 39, 62, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

### **State Budget**

The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

**2001-02 State Budget.** On July 26, 2001, the Governor signed the 2001-02 State Budget. The 2001-02 Budget underscores important objectives in public education, giving schools funding incentives to improve mathematics, science and reading. The 2001-02 Budget also invests in public transportation and expands healthcare coverage, while assuming continuation of \$4 billion in recently-enacted ongoing tax relief, new tax relief for agriculture and increased tax assistance for seniors.

Significant features of the 2001-02 State Budget for K-12 school districts include:

- *Proposition 98:* Total spending is \$45.4 billion, an increase of \$2.5 billion (5.9%) over the prior fiscal year. K-12 spending per pupil increases by \$324 from \$6,678 in 2000-01 to \$7,002 in 2001-02, a 4.9% increase.
- *Immediate Intervention/Underperforming Schools Program ("II/USP"):* \$161 million to provide planning grants and to increase implementation grants from \$168 to \$200 per pupil to

schools that participation in the II/USP to improve the academic achievement of the school's pupils.

- *High Priority Students Block Grant*: \$200 million to complement the II/USP described above. Block grants will be awarded to provide up to \$400 per pupil to improve student achievement in low-performing schools.
- *Mathematics and Reading Professional Development*: \$80 million for the first year of the four year Mathematics and Reading Professional Development Program. Schools will receive \$2,500 for each teacher trained and \$1,000 for each teaching aide trained.
- *Principal Training*: \$15 million for the first year of the three-year Principal Training Program, which will provide 15,000 principals and vice principal with training in instructional standards and effective school management techniques. Schools will receive \$3,000 per person trained, which must be matched by \$1,000 from the school district.
- *Special Education*: \$97.9 million, of which half will be used to provide a permanent increase to the base funding level for the special education program. The other half will be used to provide equalization funding for special education.
- *School Energy Cost Assistance*: \$40 million to further increase discretionary funding to school districts, county offices of education and charter schools on a per-pupil basis for school energy costs and energy conservation measures.
- *High Tech High Schools*: \$10 million for the first year a two-year project to establish five High-Tech Schools. Grants of \$2 million will be awarded to districts on a competitive basis and require a 1:1 local match.

**Future Budgets.** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control.

**California Teachers' Association v. Gould.** During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Propositions 98 and 111.) The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans is approximately \$1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association ("CTA"), which sought to void the obligation to repay the loan amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans are required to be repaid over an eight-year period, with K-14 schools contributing \$825 million from funds allocated to education under Proposition 98, and the State contributing the balance of \$938 million. The schools' contribution of \$825 million will be counted toward the Proposition 98 guarantee in future years.

The District cannot predict the effect that the general economic conditions within the State and the State's continuing budgetary problems may have in the future on the District's budgets or operations.

For more information on State Funding of public education, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Propositions 98 and 111."

## GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem tax which is required to be levied by the County in an amount sufficient for the payment thereof.*

### State Funding of Education

As a whole, California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in state revenues significantly affect appropriations made by the legislature to school districts.

Annual state apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (A.D.A.). Generally, these apportionments amount to the difference between the district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. 1999-2000 audited actual A.D.A. and Annual Revenue Limits per A.D.A., as defined by the State, and the 2000-01 actual A.D.A. and revenue limit for the District are shown below:

### SAN BRUNO PARK SCHOOL DISTRICT A.D.A. and Annual Revenue Limit

<u>Actual</u> <u>A.D.A. 1999-2000</u>	<u>Annual Revenue</u> <u>Limit 1999-2000</u>	<u>Actual</u> <u>A.D.A. 2000-01</u>	<u>Annual Revenue</u> <u>Limit 2000-01</u>
2,722	\$11,469,719	2,847	\$12,571,332

Source: The District.

In 1999-2000, the District received \$10,536,199.00 from revenue limit sources, accounting for approximately 73.1% of its General Fund revenue. In 2000-01, the District estimates to have received \$12,796,916.00 from revenue limit sources, accounting for approximately 72.2% of its General Fund revenue. For 2001-02, the District has budgeted \$12,686,743 of revenue limit sources income, which is approximately 73.1% of its estimated General Fund revenue.

### Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 1998

The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 1998 appeared on the November 1998 ballot as Proposition 1A and was approved by the California voters. This measure authorizes \$9.2 billion in general obligation bonds for construction at schools and higher educational campuses. It includes \$6.7 billion to finance acquisition of land, new construction, renovation and Class Size Reduction Program costs for public schools from Kindergarten through high



school (K - 12) and \$2.5 billion to finance new construction, renovation and the purchase of equipment and California's public colleges and universities.

Of the \$6.7 billion for K - 12 school facilities, Proposition 1A authorizes: at least \$2.9 billion to buy land and construct new school buildings (districts would be required to pay 50 percent of eligible project costs with local revenues); at least \$2.1 billion for reconstruction and modernization of existing buildings (districts would be required to pay 20 percent of eligible project costs with local revenues); up to \$700 million for Class Size Reduction Program facilities costs; up to \$1 billion for projects where the State determines that a district is either unable to provide sufficient local matching funds or will incur excessive school construction costs.

Of the \$2.5 billion for public colleges and universities, \$165 million would be allocated specifically for new campuses of the University of California and new campuses, campuses with enrollments of less than \$5,000 full-time equivalent students, and off-campus centers at the California State University and the California Community Colleges.

### **State Lottery**

In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery net revenues -- gross revenues less prizes and administration expenses -- are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. The District estimates that it received \$367,049 as its 2000-01 allocation (approximately 2.1% of budgeted General Fund revenues) and has budgeted \$377,476 as its 2001-02 allocation (approximately 2.18% of total General Fund revenues).

### **Other State Revenues**

As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues, including the State Lottery revenues indicated above ("State Sources"). In 1999-2000, State Sources account for approximately 19.5% of total General Fund revenues. In 2000-01 and 2001-02, respectively, State Sources are estimated to equal approximately 22.6% and 18.6% of total General Fund revenues.

## Other Local Revenues

In addition to property taxes, the District receives additional local revenues. These other local revenues equaled approximately 4.1% of the total General Fund revenues in fiscal year 1999-2000, are estimated to equal approximately 2.6% in fiscal year 2000-01 and are budgeted to equal approximately 3.4% in fiscal year 2001-02.

## Developer Fees

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related growth.

Collection of such fees followed a formal declaration by the Governing Board which addressed the overcrowding of District schools as a result of new development. These fees were changed on January 1, 1987, following enactment of California Government Code Section 65995 allowing collection of \$1.50 per square foot of habitable space on domestic housing and \$0.25 per square foot on commercial/industrial developments. These square-foot amounts are adjusted for inflation. The current developer fee is \$2.05 per square foot of habitable space on domestic housing developments and \$0.33 per square foot on commercial/industrial developments. These amounts are shared with the San Mateo Union High School District; the Districts collects \$1.23 per square foot for habitable space of domestic housing and \$0.20 per square foot on commercial/industrial development with the remainders being remitted to the San Mateo Union High School District.

As of June 30, 2001, there was a \$224,984 balance in this fund. The following table lists the annual developer fees generated since fiscal year 1992-93.

### **SAN BRUNO PARK SCHOOL DISTRICT District Developer Fees Fiscal Years 1992-93 through 2000-01**

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
1992-93	\$13,631.21
1993-94	13,315.70
1994-95	11,829.63
1995-96	12,289.00
1996-97	27,304.00
1997-98	16,601.00
1998-99	34,012.00
1999-2000	72,640.00
2000-01	28,697.00

Source: The District.

## **Federal Revenues**

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug-Free Schools. The federal revenues, most of which are restricted, were approximately 3.3% of General Fund revenues in fiscal year 1999-2000, are estimated to equal approximately 2.6% of such revenues in 2000-01, and are budgeted to equal approximately 2.7% of such revenues in 2001-02.

## **Budget Process**

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by A.B. 1200, which became law on October 14, 1991. Portions of A.B. 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by July 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by August 1, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code § 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

The District has never had an adopted budget disapproved by the County Superintendent of Schools, and has never received a "qualified" or negative certification of an Interim Financial Report pursuant to A.B. 1200.

**SAN BRUNO PARK SCHOOL DISTRICT  
-COMPARISON OF GENERAL FUND BUDGETS  
FISCAL YEARS 1999-2000 AND 2001-02**

	Adopted Budget Fiscal Year <u>1999-2000</u>	Fiscal Year 1999-2000 <u>Actual</u>	Adopted Budget Fiscal Year <u>2000-01</u>	Fiscal Year 2000-01 Unaudited <u>Actual</u>	Adopted Budget Fiscal Year <u>2001-02</u>
<b><u>REVENUES</u></b>					
Revenue Limited Sources					
State Apportionments	\$481,634	\$418,634	\$449,227	--	\$206,721
Local Sources	<u>10,416,588</u>	<u>10,117,565</u>	<u>11,991,231</u>	--	<u>14,480,022</u>
Total Revenue Limit	10,898,222	10,536,199	12,440,458	\$12,796,916	12,686,743
Federal Revenue	488,618	469,924	485,292	452,899	463,454
Other State Revenue	2,933,427	2,808,884	4,283,372	4,012,609	3,605,713
Other Local Revenue	<u>649,182</u>	<u>591,412</u>	<u>395,689</u>	<u>460,865</u>	<u>597,737</u>
Total Revenues	14,969,449	14,406,419	17,604,811	17,723,289	17,353,647
<b><u>EXPENDITURES</u></b>					
Certificated Salaries	7,890,112	7,865,174	9,220,669	9,164,197	9,084,879
Classified Salaries	2,194,460	2,064,228	2,420,727	2,386,716	2,520,724
Employee Benefits	2,412,139	2,357,572	2,671,128	2,681,776	2,735,006
Books & Supplies	1,127,245	489,006	1,481,281	684,093	969,547
Services, Other Operating Expenditures	1,478,440	1,158,113	1,467,633	1,418,762	1,632,362
Capital Outlay	166,647	156,524	282,732	320,430	45,736
Debt Service	36,379	36,379	36,380	--	15,000
Direct Support/Indirect Costs	--	--	(15,759)	(17,028)	(16,395)
Other Outgo	<u>481,537</u>	<u>437,298</u>	<u>808,579</u>	<u>917,056</u>	<u>705,559</u>
Total Expenditures	15,786,959	14,564,294	18,373,370	17,556,002	17,692,418
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(817,510)	(157,875)	(768,559)	167,287	(338,771)
<b>OTHER FINANCING SOURCES/(USES)</b>					
Interfund Transfers In/(Out)	112,769	95,686	297,019	140,746	565,782
Other Sources/(Uses)	<u>0</u>	<u>0</u>	<u>(115,534)</u>	<u>(135,882)</u>	<u>0</u>
Total Other Financing Sources (Uses)	112,769	95,686	181,485	4,864	565,782
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	(704,741)	(62,189)	(587,074)	172,151	227,011
Fund Balance (Deficit), July 1	\$1,158,179	\$1,158,179	\$1,095,990	\$1,095,990	\$1,268,141
Fund Balance (Deficit), June 30	<u>\$453,438</u>	<u>\$1,095,990</u>	<u>\$508,916</u>	<u>\$1,268,141</u>	<u>\$1,495,152</u>

Source: The District.

## **Accounting Practices**

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

## **SAN BRUNO PARK SCHOOL DISTRICT**

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

## **Introduction**

The San Bruno Park School District (the "District") was organized as an elementary school district in 1907. The District provides kindergarten through eighth grade educational services to an area of approximately 14.8 square miles in the County of San Mateo, about 12 miles south of the City and County of San Francisco. The District contains all but a small portion of the City of San Bruno, some unincorporated areas including part of San Francisco International Airport and a significant area underlying San Francisco Bay. The District operates seven elementary schools (K-6) and one intermediate school (7-8) and in 2000-01 provided education to 2,900 students.

On July 1, 2000, approximately 525 acres of territory was transferred into the District from the Laguna Salada School District. The transfer of property included one elementary school and increased the District's enrollment by about 200 students in school year 2000-01. The estimated fiscal year 1998-99 assessed valuation of the transferred territory was \$284,106,350.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the district and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: San Bruno Park School District, 500 Acacia Avenue, San Bruno, California 94066-4298, Attention: Donna L. Elder.

## **Administration**

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

**SAN BRUNO PARK SCHOOL DISTRICT  
GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
William J. Henderson, Jr.	President	December 2005
Robert Schwab*	Vice President	December 2001
Christopher P. Kiely	Clerk	December 2003
Charles J. Zelnik, Jr.	Representative	December 2003
Charles R. Hanley	Member at Large	December 2005

\* After December 12, 2001, Robert Schwab will vacate his seat and the new board member will be Brian Kramer.

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. The Chief Business Officer is the chief financial officer of the District. Their biographies are listed below:

***Donna L. Elder, Superintendent:*** Dr. Donna Elder has been Superintendent of the District since 1998, having previously served as Superintendent of the Orchard and Luther Burbank School Districts in San Jose. In total, Dr. Elder has 24 years of school district administrative experience.

***Steven R. Fuentes, Chief Business Officer:*** Steven R. Fuentes has been Chief Business Officer of the District since 1999, previously serving as Business Manager of Portola Valley School District, also in San Mateo County. Mr. Fuentes has almost 16 years of school business experience.

**Student Enrollment**

Over the past eight years, student enrollment in the District has increased at an average annual rate of 1.7%. The District's student enrollment for fiscal years 1990-91 through 1999-2000, as well as projections through fiscal year 2003-04 are set forth in the table below.

**SAN BRUNO PARK SCHOOL DISTRICT  
Student Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>
1990-91	2,449
1991-92	2,552
1992-93	2,646
1993-94	2,716
1994-95	2,718
1995-96	2,803
1996-97	2,810
1997-98	2,849
1998-99	2,826
1999-2000	2,860
2000-01	2,904
2001-02 <sup>(1)</sup>	2,948
2002-03 <sup>(1)</sup>	3,000
2003-04 <sup>(1)</sup>	3,069

Source: San Bruno Park School District.

<sup>(1)</sup> Projected.

## Average Daily Attendance

The total average daily attendance for the 1999-2000 academic year was 2,649. On average throughout the District, the pupil: teacher ratio is approximately 20:1 in grades K-3 and approximately 27:1 in grades 4-8. The District has fully implemented class size reduction in grades K-3.

The following table reflects the average daily attendance for the District for the last ten years, and a projection through 2001-02.

### **SAN BRUNO PARK SCHOOL DISTRICT AVERAGE DAILY ATTENDANCE Fiscal Years 1992-93 through 2001-02**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
1992-93	2,646
1993-94	2,716
1994-95	2,718
1995-96	2,803
1996-97	2,810
1997-98	2,818
1998-99 <sup>(1)</sup>	2,638
1999-2000	2,649
2000-01*	2,847
2001-02*	2,828

Source: The District.

\* Projected.

<sup>(1)</sup> The A.D.A. figures for 1998-99 and thereafter are based on District implementation of recently passed legislation, which requires that Average Daily Attendance be based on actual attendance only. The District's Revenue Limit is adjusted to account for the change in attendance accounting and is revenue neutral with prior years.

## Labor Relations

As of June 30, 2001, the District employed 171 full-time certificated employees and 69 classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

### **SAN BRUNO PARK SCHOOL DISTRICT DISTRICT EMPLOYEES**

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
California Teachers Association/National Education Association	161	June 30, 2002
California School Employees Association	65	June 30, 2002

Source: The District.

## **Retirement Programs**

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contribution to STRS for fiscal year 1999-2000 was \$623,940 and for fiscal year 2000-01 was \$725,937. The District has budgeted \$728,180 for fiscal year 2001-02. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The District's contribution to PERS for fiscal year 1999-2000 was zero and for fiscal year 2000-01 was \$7,726. The District has budgeted \$10,807 for fiscal year 2001-02. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

## **Insurance**

The District has joined together with other school districts in the County to form San Mateo County Schools Insurance Group ("SMCSIG"), a public entity risk pool currently operating as a common risk management and insurance program for 24 member school districts. The District pays an annual premium to SMCSIG for its property, liability, workers' compensation, dental and unemployment insurance coverage. The Joint Powers Agreement of SMCSIG provides that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels. The District maintains comprehensive general liability insurance and excess insurance in an amount of \$15 million per occurrence with a \$1,500 deductible. The District maintains "all risk" property insurance for the total insured value of all District property and contents with a \$5,000 deductible per occurrence.

## ***Ad Valorem* Property Taxation**

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

The valuation of secured property is established as of July 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

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



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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The following represents the five-year history of assessed valuations in the District:

**SAN BRUNO PARK SCHOOL DISTRICT**  
**Assessed Valuations**  
**Fiscal Years 1997-98 through 2001-02**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1997-98	\$1,860,659,038	\$2,295,944	\$718,054,072	\$2,581,009,054
1998-99	1,966,536,394	3,004,018	757,539,680	2,727,080,092
1999-2000	2,142,936,946	1,258,160	930,204,997	3,074,400,103
2000-01	2,602,543,080	1,237,303	951,351,884	3,555,132,267
2001-02	2,860,499,965	1,762,740	1,016,707,136	3,878,969,841

Source: California Municipal Statistics, Inc.

The following is an analysis of the District's land use by assessed valuation.

**SAN BRUNO PARK SCHOOL DISTRICT**  
**Assessed Valuation and Parcels by Land Use**

	2001-02 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Commercial	\$611,850,876	21.39%	396	3.50%
Industrial	39,271,214	1.37	92	0.81
Recreational	18,099,176	0.63	37	0.33
Government/Social/Institutional	5,450,092	0.19	15	0.13
Miscellaneous	<u>1,736,850</u>	<u>0.06</u>	<u>48</u>	<u>0.42</u>
Subtotal Non-Residential	\$676,408,208	23.65%	588	5.19%
Residential:				
Single Family Residence	\$1,637,631,459	57.25%	7,911	69.84%
Condominium/Townhouse	300,984,639	10.52	2,259	19.94
Hotel/Motel	35,992,383	1.26	12	0.11
2-4 Residential Units	76,494,354	2.67	337	2.97
5+ Residential Units/Apartments	115,452,069	4.04	96	0.85
Residential Miscellaneous	4,937,696	0.17	33	0.29
Vacant Residential	<u>12,599,157</u>	<u>0.44</u>	<u>92</u>	<u>0.81</u>
Subtotal Residential	\$2,184,091,757	76.35%	10,740	94.81%
Total	\$2,860,499,965	100.00%	11,328	100.00%

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

**Tax Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding July 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Each County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county's taxing boundaries.

The annual secured tax levies and delinquencies are included for the District for the fiscal years shown below.

**SAN BRUNO PARK SCHOOL DISTRICT**  
**Secured Tax Charges and Delinquencies**  
**Fiscal Years 1996-97 through 2000-01**  
**(Amounts Expressed in Thousands)**

<u>Fiscal Year</u>	<u>Secured Tax Charge</u> <sup>(1)</sup>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u> <sup>(2)</sup>
1996-97	\$17,846,705.46	\$292,332.56	1.64%
1997-98	18,936,925.28	246,241.20	1.30
1998-99	20,312,007.56	242,264.45	1.19
1999-2000	25,499,293.82	379,387.38	1.49
2000-01	27,157,438.68	444,751.83	1.64

<sup>(1)</sup> All taxes collected by the county within the school district. Includes special charges.

<sup>(2)</sup> San Mateo County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.

Source: California Municipal Statistics, Inc.

**Alternative Method of Tax Apportionment - "Teeter Plan"**

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in

the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for the agency.

## **Tax Rates**

There are a total of 14 tax rate areas in the District. The following table summarized the total ad valorem tax rates levied by all taxing entities in a typical Tax Rate Area (TRA) within the District from fiscal year 1997-98 to fiscal year 2001-02.

### **SAN BRUNO PARK SCHOOL DISTRICT Summary of Ad Valorem Tax Rates Fiscal Years 1997-98 through 2001-02**

#### Typical Total Tax Rates (TRA 10-001)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>
General	1.0000	1.0000	1.0000	1.0000	1.0000
San Bruno Park School District Bonds	.0271	.0293	.0325	.0353	.0281
San Mateo Union High School District Bonds	--	--	--	--	<u>.0153</u>
Total	1.0271	1.0293	1.0325	1.0353	1.0434

Source: California Municipal Statistics, Inc.

## Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2001-02 secured assessed valuations.

### SAN BRUNO PARK SCHOOL DISTRICT Largest 2001-02 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2001-02 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Bayhill Four Associates	Office Building	\$119,520,391	4.18%
2.	GPS Management Services Inc.	Office Building	102,396,073	3.58
3.	Gap Inc.	Office Building	49,660,351	1.74
4.	BHI-Dover XVII	Shopping Center	39,722,946	1.39
5.	Arthur P. Wu / Lake Amir LLC	Office Building	27,310,500	0.95
6.	Cyrstal Springs Associates	Apartmnts	26,497,289	0.93
7.	Tanforan Park Shopping Center LLC	Shopping Center	26,064,226	0.91
8.	Sun Life Assurance Company	Office Building	20,212,307	0.71
9.	San Francisco Bay Office Park	Office Building	20,051,344	0.70
10.	UGPT-Skypark LP	Industrial	19,243,758	0.67
11.	City and County of San Francisco	Airport	18,883,135	0.66
12.	Artichoke Enterprises Inc.	Commercial	18,790,767	0.66
13.	BPP Retail LLC	Shopping Center	16,537,158	0.58
14.	Welch Family Partnership	Commercial	15,447,442	0.54
15.	Sneath Lane Associates LLC	Shopping Center	15,432,539	0.54
16.	Sears Roebuck & Co.	Shopping Center	12,947,626	0.45
17.	Courtyard Marriott LP	Hotel	12,918,850	0.45
18.	Costco Wholesale Corporation	Shopping Center	12,398,326	0.43
19.	J.C. Penney Co. Inc.	Shopping Center	11,251,644	0.39
20.	HPTSHC Properties Trust	Hotel	<u>10,698,364</u>	<u>0.37</u>
			<u>\$595,985,036</u>	<u>20.83%</u>

<sup>(1)</sup> 2001-02 Local Secured Assessed Valuation: \$2,860,499,965

Source: California Municipal Statistics, Inc.

## Comparative Financial Statements

The following table reflects the District's revenues, expenditures and fund balances for fiscal years 1996-97 through 2000-01:

### - SAN BRUNO PARK SCHOOL DISTRICT General Fund Revenues, Expenditures and Fund Balances 1996-97 through 2000-01

	Audited Fiscal Year <u>1996-97</u>	Audited Fiscal Year <u>1997-98</u>	Audited Fiscal Year <u>1998-99</u>	Audited Fiscal Year <u>1999-2000</u>	Unaudited Fiscal Year <u>2000-01</u>
<b>REVENUES:</b>					
Revenue Limit Source:					
State Apportionments	\$782,480	\$850,883	\$709,287	\$418,634	
Local Sources	<u>8,659,272</u>	<u>9,131,294</u>	<u>9,544,369</u>	<u>10,117,565</u>	
Total Revenue Limit	9,441,752	9,982,177	10,253,656	10,536,199	\$12,796,916
Federal Revenue	331,873	401,142	407,870	469,924	452,899
Other State Revenue	2,315,282	2,457,401	3,228,384	2,808,884	4,012,609
Other Local Revenue	<u>295,249</u>	<u>348,141</u>	<u>363,092</u>	<u>591,412</u>	<u>460,865</u>
TOTAL REVENUES	12,384,156	13,188,861	14,253,002	14,406,419	17,723,289
<b>EXPENDITURES:</b>					
Certificated Salaries	\$6,771,590	\$7,161,571	\$7,410,699	7,865,174	9,164,197
Classified Salaries	1,523,462	1,645,196	1,866,754	2,064,228	2,386,716
Employee Benefits	2,047,146	2,056,466	2,104,292	2,357,572	2,681,776
Books & Supplies	484,426	688,319	458,230	489,006	684,093
Services & Operating Expenses	638,228	990,239	851,016	1,158,113	1,418,762
Capital Outlay	525,379	354,692	342,434	156,524	320,430
Debt Service	67,022	66,120	58,701	36,379	--
Direct Support/Indirect Costs	--	--	--	--	(17,028)
Other Expenditures	<u>263,475</u>	<u>276,989</u>	<u>453,676</u>	<u>437,298</u>	<u>917,056</u>
TOTAL EXPENDITURES	12,320,728	13,239,592	13,545,802	14,564,294	17,556,002
Excess of Revenues over (under)				(157,875)	167,287
Expenditures	63,428	(50,731)	707,200		
<b>OTHER FINANCING SOURCES (Uses):</b>					
Operating Transfers In/Out	(45,590)	(71,462)	(58,640)	95,686	140,746
Other Sources/ (Uses)	<u>84,509</u>	<u>10,096</u>	<u>10,000</u>	<u>0</u>	<u>(135,882)</u>
Total Other Financing Sources (Uses)	38,919	(61,366)	(48,640)	95,686	4,864
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	102,347	(112,097)	658,560	(62,189)	172,151
FUND BALANCE, JULY 1	<u>\$699,340</u>	<u>\$801,687</u>	<u>\$689,590</u>	<u>\$1,158,179</u>	<u>\$1,095,990</u>
FUND BALANCE, JUNE 30	<u>\$801,687</u>	<u>\$689,590</u>	<u>\$1,158,179</u>	<u>\$1,095,990</u>	<u>\$1,268,141</u>

Source: The District.

## District Debt Structure

**Long-Term Debt.** A schedule of changes in long-term debt for the year ended June 30, 2000, is shown below:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2000</u>
Compensated Absences	\$75,751	--	\$1,724	\$74,027
General Obligation Bonds	15,446,060	--	245,000	15,221,060
Accreted Interest	122,428	\$254,524	--	376,952
Capital Lease Obligations	176,764	--	42,627	132,137
Other Post Employment Benefits	<u>1,393,828</u>	<u>193,117</u>	<u>--</u>	<u>1,586,945</u>
Totals	\$17,232,831	\$447,641	\$289,351	\$17,391,121

**Bonded Debt.** In an election held April 14, 1998, voters of the District authorized the District to sell \$30,000,000 of General Obligation Bonds. On August 12, 1998, the District issued \$15,116,059.55 of its San Bruno Park School District General Obligation Bonds, Election of 1998, Series 1998 (the "Series A Bonds"). On August 16, 2000, the District issued \$9,628,674.40 of its San Bruno Park School District 2000 General Obligation Refunding Bonds (the "Refunding Bonds") to refund a portion of the Series A Bonds. Also on August 16, 2000, the District issued a second series of general obligation bonds under the Authorization in the principal amount of \$7,999,644.05 (the "Series B Bonds"). The annual debt service requirements for the unrefunded portion of the Series A Bonds, the Refunding Bonds and the Series B Bonds are shown in "THE BONDS – Annual Debt Service" herein.

**Capital Leases.** The District leases equipment valued at \$361,595 under agreements which provide for title to pass upon expiration of the lease period. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Minimum lease payments as of June 30, 2000 are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2001	\$51,281
2002	41,346
2003	<u>54,570</u>
Total	\$147,197
Less Amounts Representing Interest	<u>(15,060)</u>
Present value of net minimum lease payments	\$132,137

**Short-Term Debt.** On July 1, 2001, the District issued \$4,500,000 of tax and revenue anticipation notes (the "2001 Notes"). The 2001 Notes were sold to supplement cash flow and will mature on June 30, 2002.

**Statement of Direct and Overlapping Debt.** Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated December 1, 2001. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

### SAN BRUNO PARK SCHOOL DISTRICT ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

2001-02 Assessed Valuation: \$3,878,969,841  
 Redevelopment Incremental Valuation: 28,107,146  
 Adjusted Assessed Valuation: \$3,850,862,695

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 12/1/01</u>
San Mateo Union High School District	12.610%	\$ 7,566,000
San Bruno Park School District	100.	21,554,378 (2)
City of San Bruno 1915 Act Bonds	100.	<u>250,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$29,370,378
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
San Mateo County General Fund Obligations	4.751%	\$13,245,569
San Mateo County Board of Education Certificates of Participation	4.751	252,516
City of San Bruno Certificates of Participation	93.262	8,953,152
San Mateo County Flood Control District Certificates of Participation	5.284	801,847
San Mateo County Mosquito Abatement District Certificates of Participation	1.491	<u>33,920</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$23,287,004
 COMBINED TOTAL DEBT		 \$52,657,382 (3)

(1) Based on 2000-01 ratios.

(2) Excludes general obligation bonds to be sold.

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

Ratios to 2001-02 Assessed Valuation:

Direct Debt (\$21,554,378)..... 0.56%  
 Total Direct and Overlapping Tax and Assessment Debt..... 0.76%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt ..... 1.37%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$0

Source: California Municipal Statistics, Inc.



## TAX MATTERS

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

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any

person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

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

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

### **CALIFORNIA ENERGY MARKETS**

California energy markets have experienced recent and severe disruption, resulting in markedly higher electricity and natural gas prices to most of California's residents and businesses. This section discusses generally the potential effects of the current energy situation on State revenues and expenditures and the State's economy, District revenues and expenditures, payment of property taxes by taxpayers in the District, investments of the District and County funds pledged for repayment of the Bonds, and taxation of utility property.

When California's electric utility industry was deregulated, commencing in 1997, temporary price controls were established for retail electricity sales to consumers and businesses, while prices of wholesale electricity were allowed to fluctuate. The State's major investor-owned electric utilities are net buyers of electricity, and consequently have recently been forced to buy electricity on the spot market at a time when spot prices have increased sharply. Unable to raise prices on resale has caused the utilities to operate at significant and mounting net losses, to default on some obligations, and to declare bankruptcy (in the case of Pacific Gas and Electric Company) while electricity sellers have threatened to discontinue electricity sales to the utilities. In response, the Governor declared a state of emergency and, among other actions, has used the State's credit and general fund to purchase electricity on the spot market and with long-term supply contracts. The State reports that between January 17 and February 14, 2001, it advanced \$1.2 billion for this purpose, and State purchases of electricity continue. Only a portion of this cost will be recovered from electricity consumers; and the balance is expected to be made up from the sale of up to \$10 billion of State revenue bonds, to be repaid from consumer payments for electricity over an unspecified period of years. Numerous other proposals have been made in the State legislature to increase future State energy supplies, including State acquisition of energy generation and/or transmission facilities by purchase or eminent domain. It has been proposed that the State acquire all or a portion of the utilities; electricity transmission lines in exchange for assistance to those companies. Several municipalities have also publicly debated municipal acquisition of investor owned utility properties.

In the short term, continued State expenditures for purchase of energy and/or energy production and transmission facilities will reduce State general funds available for other discretionary programs, including enhancements to K-12 education, the largest category of State expenditures. Energy expenditures by the State for its own operations will also reduce the amount of discretionary expenditures. Higher energy costs for businesses could reduce business income and therefore tax payments to the State. Over the longer term, increased energy costs on individuals and businesses statewide, and the effects of

such increased costs on the prices of other goods, services, transportation and housing, may reduce the attractiveness of the State for future investment and even induce business and individuals to relocate elsewhere.

The Bonds will be repaid from an *ad valorem* property tax required to be levied by the County in an amount sufficient for repayment of all principal and interest when due. The District has no way of predicting whether significantly higher costs for energy will cause some taxpayers to be delinquent or to default on their property tax payments. The County is responsible for setting a tax rate high enough to repay the Bonds after taking anticipated tax delinquencies and defaults into account, and any loss of local property tax income for the District's general operations would be made up by the State. See "DISTRICT FINANCIAL INFORMATION -- State Funding of Education," herein.

The District's operating funds and proceeds of taxes held pending payment to bondholders are invested in the County's Treasury Pool. The County Treasurer-Tax Collector is authorized to invest in bonds, notes and other instruments the value of which may be related directly or indirectly to the credit quality of the investor-owned utilities, the State, other California public agencies, banks or companies adversely affected by the situation described above. Information regarding specific investments held in the County's Treasury Pool has not been provided to the District, and inquiries concerning the investment portfolio should be directed to the County Treasurer-Tax Collector.

The assessed value of taxable property in the District may also be affected by the energy situation and by actions taken in response to the situation. If the State or a local municipality buys or otherwise acquires property owned by a private, taxpaying utility, such property will be removed from the tax rolls. If locally taxed property were acquired by a utility and taxed as unitary property, the District could gain or lose assessed value, depending on how assessed value is redistributed among taxing agencies in the County. Utilities could be delinquent in making property tax payments to the County, reducing the tax revenue available for distribution to the District or other public agencies in the County. Any loss of taxable property value in the District could require an increase in the tax rate levied on remaining taxpayers to repay the Bonds.

The District is unable to predict or to accurately analyze many of the risks and ramifications of the current energy situation and of the actions that may be taken by the State, other government agencies, private utility companies, taxpayers, or the County Treasurer-Tax Collector in response, or what effect, if any, such actions may have on the timely repayment of the Bonds.

## **LEGAL MATTERS**

### **Legality for Investment in California**

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

### **Continuing Disclosure**

The District has covenanted for the benefit of bondholders (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 210 days following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2000-01 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with

each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any). The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is included under the caption "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District is not currently in default on any prior continuing disclosure obligation.

### **No Litigation**

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

There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

### **Legal Opinion**

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

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering the aforementioned opinion. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and the opinion of Bond Counsel will not extend to any documents, agreements, representations, offering circulars, official statements or other material of any kind concerning the Bonds.

## MISCELLANEOUS

### Ratings

The Insured Bonds have been assigned an insured rating of “\_\_\_” and “\_\_\_” by Standard & Poor’s, a Division of the McGraw-Hill Companies and Moody’s Investors Service, respectively, based on the issuance by \_\_\_\_\_ (the “Insurer”) of its Municipal Bond New Issue Insurance Policy. The ratings reflect only the view of the respective rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following addresses: Standard & Poor’s, a Division of the McGraw-Hill Companies, 55 Water Street, New York, NY 10041 and Moody’s Investors Service, 99 Church Street, New York, NY 10007-2796. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

### Underwriting

UBS PaineWebber Inc. (the “Underwriter”) has agreed, pursuant to a purchase contract between the District, the County and the Underwriter, to purchase all of the Bonds for a purchase price of \$\_\_\_\_\_ (principal amount of the Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, less underwriter’s discount of \$\_\_\_\_\_, less costs of issuance of \$\_\_\_\_\_ less bond insurance premium on the Bonds of \$\_\_\_\_\_). The purchase contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

### **Additional Information**

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

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

### **SAN BRUNO PARK SCHOOL DISTRICT**

By: \_\_\_\_\_  
Donna L. Elder  
Superintendent

## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL

December \_\_, 2001

Governing Board  
San Bruno Park School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ \_\_\_\_\_ San Bruno Park School District Election of 1998 General Obligation Bonds, Series C (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapter 1 of the California Education Code, a two-thirds vote of the qualified electors of the San Bruno Park School District (the "District") voting at an election held on April 14, 1998, a resolution of the Governing Board of the District (the "District Resolution") and a resolution of the Board of Supervisors of San Mateo County, California (together with the District Resolution, the "Resolutions").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For

purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on a Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

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

Respectfully submitted,

Stradling, Yocca, Carlson & Rauth



**APPENDIX B**

**EXCERPTS FROM THE DISTRICT'S 1999-2000 AUDITED FINANCIAL STATEMENTS**

## APPENDIX C

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Bruno Park School District (the "District") in connection with the issuance of \$ \_\_\_\_\_ Election of 1998 General Obligation Bonds, Series C (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated November 14, 2001 (the "District Resolution"), and a Resolution of San Mateo County dated \_\_\_\_\_, 2001 (the "County Resolution"). The District Resolution and the County Resolution are together referred to as the "Resolution." The District covenants and agrees as follows:

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

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) or [www.sec.gov](http://www.sec.gov).

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

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

"State" shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2000-01 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;

- (c) outstanding District indebtedness;
- (d) assessed valuations, tax levy and delinquencies (in the event the County is no longer on the Teeter Plan for real property located in the District for the last completed fiscal year; and
- (e) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

#### SECTION 5. Reporting of Significant Events.

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

- 1. principal and interest payment delinquencies.
- 2. non-payment related defaults.
- 3. modifications to rights of Bondholders.
- 4. optional, contingent or unscheduled bond calls.
- 5. defeasances.
- 6. rating changes.
- 7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- 8. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 9. unscheduled draws on the credit enhancement reflecting financial difficulties.
- 10. substitution of the credit or liquidity providers or their failure to perform.
- 11. release, substitution or sale of property securing repayment of the Bonds.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under

this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

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

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

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

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

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

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

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

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

financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 1, 2001

SAN BRUNO PARK SCHOOL DISTRICT

By \_\_\_\_\_  
Superintendent

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of District: SAN BRUNO PARK SCHOOL DISTRICT

Name of Bond Issue: Election of 1998 General Obligation Bonds, Series C

Date of Issuance: December 1, 2001

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

Dated: \_\_\_\_\_

SAN BRUNO PARK SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]

## APPENDIX D

### Economy of San Mateo County

*The District is located in San Mateo County (the "County"). The following economic data for the County are presented for information purposes only. The Bonds are not a debt or obligation of the County.*

#### Introduction

The County encompasses 553 square miles of land on a 50-mile peninsula immediately south of San Francisco and is the 13th most populous county in the State of California. The State Department of Finance estimated the population in the County as of January 1, 2000 at 750,000. San Mateo County is also the location of the San Francisco International Airport.

#### Population

The table below shows selected historical population figures for the County.

#### COUNTY OF SAN MATEO

##### Population 1990-2000

Year Ending (January 1)	San Mateo County
1990	649,623
1995	685,400
1996	693,800
1997	704,800
1998	716,500
1999	724,400
2000	730,000

Sources: 1990 and 2000 U.S. Census Bureau, State of California, Department of Finance.



## Income

Effective buying income as reported in the annual publication "Survey of Buying Power" published by Sales and Marketing Management, is defined as personal income less personal taxes and certain nontax payments. Personal income includes wages and salaries, other labor-related income (such as employer contributions to private pension funds) and certain other income (e.g., proprietor's income, rental income, dividends, personal interest income, pensions and welfare assistance). Deductions are then made for federal, state and local taxes, certain nontax payments (such as fines and penalties) and personal contributions to a retirement program.

Median household effective buying income of the County residents totaled \$56,433 during 1999. Shown below is a comparable record of median household effective buying income from 1992 through 1999 for the County, the State and the United States.

**SAN MATEO COUNTY, CALIFORNIA AND THE UNITED STATES**  
**Median Household Effective Buying Income**  
**1992-1999**

<u>Year</u>	<u>County of San Mateo</u>	<u>State of California</u>	<u>United States</u>
1992	\$46,977	\$37,686	\$33,178
1993	48,241	39,330	35,056
1994	50,629	40,969	37,070
1995	46,145	34,533	32,238
1996	47,876	35,216	33,482
1997	50,511	36,483	34,618
1998	52,452	37,091	35,377
1999	56,433	37,492	37,233

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Source: *Sales & Marketing Management Magazine* "Survey of Buying Power."

## Commercial Activity

Consumer spending during 1999 resulted in more than \$12 billion in taxable sales for the County. The following tables provides taxable sales in the County for 1996 through 1999.

### COUNTY OF SAN MATEO Taxable Sales (1996-1999) (Dollars in Thousands)

<u>Category</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Apparel Stores Group	\$262,047	\$281,475	\$299,827	\$310,526
General Merchandise Stores	1,015,488	1,073,307	1,120,778	1,177,150
Specialty Stores Group	1,066,662	1,073,828	1,049,819	1,295,940
Food Stores Group	(1)	347,240	353,091	374,116
Packaged Liquid Stores	44,876	(2)	(2)	61,313
Eating and Drinking Group	715,192	772,148	808,464	886,679
Home Furnishings and Appliances	329,118	334,000	373,494	422,165
Building Material Group	431,016	489,868	542,305	632,368
Automotive Group	1,728,611	1,825,568	1,910,455	640,221
Other Retail Outlets	<u>374,980</u>	<u>149,561</u>	<u>151,015</u>	<u>1,715,920</u>
Retail Stores Total	\$5,967,990	\$6,346,995	\$6,609,248	7,516,398
Business & Personal Services	414,027	488,513	549,468	556,940
All Other Outlets	<u>3,393,964</u>	<u>3,898,308</u>	<u>3,876,287</u>	<u>4,056,713</u>
TOTAL ALL OUTLETS	\$9,775,981	\$10,733,816	\$11,035,003	\$12,130,051

(1) Food Stores Group added as separate category after format changes in 1997.

(2) Packaged Liquor Stores included in Other Retail Stores group after 1997.

Source: California State Board of Equalization.

## Employment

The following table sets forth the ten largest employers in the County.

### COUNTY OF SAN MATEO MAJOR EMPLOYERS 2000

<u>Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
United Airlines	Air Carrier	19,395
Oracle Corporation	Computer Technology	12,000
County of San Mateo	Government	4,700
Genentech	Biotechnology	3,349
San Francisco International Airport	Airport	3,200
U.S. Post Office	Government	3,000
Sun Microsystems	Computer Technology	2,850
American Airlines	Air Carrier	2,600
Gap Inc.	Clothing	2,389
CHW West Bay (Seton Hospital)	Hospital	2,373
Mills-Peninsula Hospitals	Hospital	2,360

Source: Chamber of Commerce.

## Industry and Employment

The following tables summarize historical employment and unemployment, as well as estimated number of workers by industry for the County.

### COUNTY OF SAN MATEO Labor Force, 1995-2000 (Numbers in Thousands)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Civilian Labor Force	369.8	376.1	387.3	393.5	399.1	411.3
Employed	354.2	363.5	376.9	383.9	391.3	404.7
Unemployed	15.6	12.6	10.4	9.6	7.8	6.6
Unemployment Rate	4.2%	3.4%	2.7%	2.5%	2.0%	1.6%

March 2000 Benchmark; data not seasonally adjusted.

Source: State of California Employment Development Department.

### COUNTY OF SAN MATEO Estimated Number of Wage and Salary Workers by Industry, 1995-1999 (Numbers in Thousands)

<u>Industry</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Agriculture	2.6	2.7	2.9	2.9	2.9
Mining and Construction Mining	11.6	13.4	15.5	16.8	17.9
Manufacturing					
Durable	18.8	21.1	22.3	22.9	23.2
NonDurable	13.9	14.2	14.4	14.7	14.4
Transportation & Public Utilities	37.7	37.6	38.8	40.5	42.2
Wholesale Trade	20.7	20.8	21.5	21.3	20.9
Retail Trade	53.0	54.2	55.4	58.1	61.2
Finance/Insurance/Real Estate	21.2	21.6	23.0	23.9	23.9
Services	94.4	102.5	109.9	112.8	120.5
Government	<u>32.0</u>	<u>31.1</u>	<u>30.1</u>	<u>31.4</u>	<u>32.1</u>
Total	305.8	319.2	333.6	345.3	359.3

March 1999 benchmark; data not seasonally adjusted.

Source: State Employment Development Department.

## Construction Activity

The valuation of building permits issued in the County exceeded \$1.3 billion in 2000, representing approximately a 24% increase from 1999. The following tables provide a summary of the building permit valuations and the number of new dwelling units authorized in the County from 1996 through 2000.

### COUNTY OF SAN MATEO BUILDING PERMIT ACTIVITY AND VALUATIONS<sup>(1)</sup> 1996-2000 (valuations in thousands)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Valuations (000's)</u>					
Residential					
Single Family	\$147,753.3	\$227,894.8	\$254,469.0	\$213,773	\$241,236
Multiple Family	49,956.3	65,294.8	132,511.1	15,135	131,048
Alterations & Additions	<u>104,544.6</u>	<u>131,274.4</u>	<u>158,723.0</u>	<u>205,843</u>	<u>189,918</u>
TOTAL RESIDENTIAL	302,254.1	424,464.0	545,703.1	434,751	562,202
Nonresidential					
Commercial	58,342.4	244,371.1	184,348.4	307,010	423,976
Industrial	3,339.6	8,272.9	8,527.0	33,386	27,891
Other	17,207.9	23,470.7	37,461.3	56,629	34,525
Alterations & Additions	<u>144,325.0</u>	<u>194,155.7</u>	<u>191,504.8</u>	<u>217,028</u>	<u>252,911</u>
TOTAL NONRESIDENTIAL	223,214.9	470,270.4	421,841.5	614,054	739,303
TOTAL BUILDING VALUATIONS	<u>\$525,469.0</u>	<u>\$894,734.3</u>	<u>\$967,544.6</u>	<u>\$1,048,805</u>	<u>\$1,301,505</u>
<u>Units</u>					
Single Units	673	922	988	768	846
Multi-Dwelling Units	<u>432</u>	<u>597</u>	<u>1,187</u>	<u>133</u>	<u>1,471</u>
TOTAL RESIDENTIAL UNITS	1,105	1,519	2,175	901	2,317

<sup>(1)</sup> Totals may not add due to independent rounding.

Source: Construction Industry Research Board.

**APPENDIX E**  
**FORM OF MUNICIPAL BOND INSURANCE POLICY**

**APPENDIX F**  
**TABLE OF ACCRETED VALUES**