

FINANCIAL ADVISOR AGREEMENT

This AGREEMENT, made as of the 7th day of September, 2002, by and between the COUNTY OF SAN MATEO (hereinafter the "County"), and CALIFORNIA FINANCIAL SERVICES, of Santa Rosa, California (hereinafter called "Financial Advisor"):

W I T N E S S E T H

WHEREAS, the County presently contemplates a Lease Revenue Bond financing with the San Mateo County Joint Powers Financing Authority (the "JPA") pursuant to which the JPA may finance the construction of a Youth Services Center including a Juvenile Hall, Courtroom Facilities, Educational Facilities and Probation Administration Facilities; and

WHEREAS, it is contemplated that the JPA will issue and sell one issue of Lease Revenue Bonds and that one issue of Lease Revenue Bonds will be executed and delivered to finance the Project; and

WHEREAS, the County has determined that the establishment of a direct payment system and the creation of a budgeting and monitoring system reduces the County's cost of funds and improves management's control over large construction projects; and

WHEREAS, the services required to implement these changes are highly specialized and are not otherwise required by the County except when bond financed projects are being constructed; and

WHEREAS, the County desires to retain a Financial Advisor to perform financial consulting services in connection with the financing of the Youth Services Center Projects; and

WHEREAS, the Financial Advisor is qualified to perform such services as would be required to implement a direct payment system and to create a budgeting and monitoring system for the County's construction projects; and

WHEREAS, the County desires to set forth the terms of Financial Advisor's employment in connection with the preparation of proceedings for the issuance of the Lease Revenue Bonds to finance the Project and for consultation and related financial consulting services in connection therewith.

NOW THEREFORE, in consideration of the mutual covenants, terms and conditions herein contained, the County and the Financial Advisor do hereby agree as follows:

1. The County employs the Financial Advisor to provide the following financial consulting services relative to the Lease Revenue Bonds:

(a) Review of proposals, as received, including a summary evaluation of each question isolating objective criteria and subjective criteria and culminating in a recommendation of firms to be interviewed in the oral presentation phase (as necessary) of the selection process.

(b) Schedule and conduct oral/telephonic interviews (as necessary) including formulation of standard and specialized questions for all of the firms to be interviewed as well as developing a system for evaluating the performance of firms so interviewed. This phase of the process will conclude with a recommendation as to which firm(s) should be selected to serve as the County's underwriter(s).

(c) Assist the Underwriter in developing a project schedule, of which the financing schedule will be a component, and

assign responsibilities for each discrete task that needs to be accomplished to complete the project on a timely basis.

(d) Initially coordinate the various parties involved in the financing, including organizing and leading a kick-off meeting to commence the financing phase of the project.

(e) Assist the County in selecting a Trustee and an official statement printer through a competitive bid process, if required, limited to firms that provide reliable service and cost estimates.

(f) Solicit credit enhancement from one or more bond insurers to the extent that the resulting "all-in" costs of funds (including fees and expenses of the insurer) is less than would be available to the County through selling Lease Revenue Bonds under its own rating.

(g) Represent the County at all document sessions and bond structuring discussions to ensure that the business terms of the legal documents and repayment requirements of the financing structure optimize the County's flexibility and minimize the interest rate and cash flow impact of the resulting financing.

(h) Advise the County as to the pricing and marketing of Lease Revenue Bonds as recommended by the underwriting team. Evaluate the market timing of the actual sale of securities and oversee the performance of each underwriting firm as well as ensure fair distribution of Lease Revenue Bonds between firms.

(i) Evaluate and contribute to a post-sale closing analysis to be distributed by the underwriter and delivered to the County prior to the closing of the financing.

(j) Attend all relevant meetings of the Board of Supervisors or such other meetings as the County may designate

during the term of the financing schedule.

2. The Financial Advisor shall provide the following additional financial consulting services relative to the Project:

(a) For the Project, subject to the County's approval, design a Direct Payment System (the "System") that establishes administrative procedures that enable the County to fund Project costs directly from trust accounts established under the 2003 County of San Mateo Indenture of Trust or Supplemental Indenture of Trust and successive Bond Issues to finance the Project(s)(the "Lease Revenue Bond Trust"), including:

(i) Procedures that enable the County to process vendor payments on the same day they are received, as necessary;

(ii) Procedures to expedite payment of vendors when special discounts are offered for early payment;

(iii) Procedures to expedite payment of vendors when special discounts are offered for early payment;

(iv) Procedures to enable the County to withdraw funds from the lowest cost funds available;

(v) Procedures to enable the County to transfer funds between accounts, as required or desirable;

(vi) Procedures that comply with the provisions of the Bond Trusts;

(vii) Procedures approved by the Trustee and any successor Trustee;

(viii) Procedures approved by the Controller of the County;

(ix) Procedures reviewed by the independent auditor for the County;

(x) Safeguards to protect against unauthorized access to County accounts;

(xi) Safeguards to protect against duplication of payments;

(xii) Safeguards to protect against inadvertent technical defaults arising from failure to comply with annual disclosure matters; and

(xiii) Safeguards to protect against payment defaults resulting from failure to transfer County funds 15 days in advance of investor payment.

(b) Implement and staff a Direct Pay System, subject to the County's approval of the design, including:

(i) Prepare paperwork for fund disbursement as directed by the Project Manager for each respective project;

(ii) Fax and/or Mail completed paperwork to the County Manager's Office for approval;

(iii) Mail copies of the Disbursement request and original vendor invoice(s) to the Trustee and the County for its records;

(iv) Prepare paperwork for account transfers and reinvestment of funds;

(v) Request an annual insurance certificate from the County's various insurers and actuaries as required by the Bond Trusts;

(vi) Mail annual budgets and Financial Statements to the Trustee, the Insurer and the Rating Agencies, as required;

(vii) Assist in preparing financial data for the arbitrage rebate calculation required under federal law and under the Bond Trusts; and

(viii) Prepare a monthly Project Status Report and a Year-end Project Status Report for County Staff and the independent auditors.

(c) Create a Project Status Report (the "Report") which shall be the property of the County and which shall set forth the Project budget, account balances, fund transfers, account credits, disbursement amounts and descriptions of activity by account, including:

(i) Establish budget categories for the Project for the construction fund and cost of issuance account as well as capitalized interest and debt services reserve fund accounts;

(ii) Establish initial budgeted amounts for each of the budget categories identified above;

(iii) Report disbursement of construction and cost of issuance account funds, by vendor, for the Project;

(iv) Direct the Trustee to transfer capitalized interest and reserve fund earnings to the intended accounts as set forth in the Bond Trust;

(v) Report reinvestment of construction and debt service reserve funds and transfer various interest earnings into the relevant fund account, when appropriate;

(vi) Track vendor disbursements against the contracted amount for each vendor in each project;

(vii) Prepare a fiscal year end report to be delivered to the County's independent auditor by August 15th of each year as well as assisting the auditors in matters related to the Projects' financing; and

(viii) Prepare annual calculation for any other participating agency of amounts due and payable for debt service on this financing.

3. The County agrees to pay and Financial Advisor agrees to receive as full compensation for the rendering of the aforesaid

services relative to the Lease Revenue Bonds issued to fund the Project and for any services heretofore performed by Financial Advisor in connection therewith the fee of Eighty Five Thousand Dollars (\$85,000.00) for each financing, payable upon the delivery of and receipt of payment for each series of the Lease Revenue Bonds.

4. The County agrees to pay and the Financial Advisor agrees to receive as full compensation for the rendering of the aforesaid services with reference to the work related to the Projects the fee of Twenty-five Thousand Dollars (\$25,000) for the Project per year during the construction and acquisition period for the Project. Following completion of the construction period, the annual fee for administrative services for the completed projects shall be reduced to Seven Thousand Five Hundred Dollars (\$7,500) for each financing completed. Fees are payable in equal semi-annual payments on January 1 and July 1 of each year, prorated for the initial period from the date of the financial closing to July 1, 2003.

5. In addition to the foregoing and upon presentation of an itemized statement therefor, Financial Advisor shall be reimbursed for out-of-pocket expenses, which include travel expenses other than travel by car, charges for other consultants specifically requested by the County, filing fees, printing charges, and like expenditures. Reimbursement as provided hereunder shall be paid following receipt of proceeds of the Lease Revenue Bonds; provided, however, should the contemplated proceedings be abandoned or discontinued for any reason and the Lease Revenue Bonds are not issued or sold, Financial Advisor shall be reimbursed by the County for such out-of-pocket expenses upon submission of an itemized statement therefore.

6. The County and the JPA shall pay all costs and expenses incurred by them and incident to the issuance of the Lease Revenue Bonds, included the costs of preparing the Lease Revenue Bonds for execution and delivery, all printing costs and publication costs and any fees and expenses of the financing consultant and underwriter required to be paid by the County or the JPA.

7. The parties hereto agree that the County may assign to the JPA all or any portion of its obligations hereunder except to the extent County has herein agreed to be obligated with respect to fees and out-of-pocket expenses in the event the contemplated proceedings are abandoned or discontinued for any reason and the Lease Revenue Bonds are not issued and sold. Financial Advisor agrees in the event of such an assignment to render its financial consulting services to the JPA as well as the County as herein provided.

8. The Financial Advisor shall not commence work under this agreement until all insurance requirements under this section have been obtained and such insurance has been approved by the Director of the County. The Financial Advisor shall furnish the County with Certificate of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending the Financial Advisor's coverage to include the contractual liability assumed by the Financial Advisor pursuant to this agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the County of any pending change in the limits of liability or of any cancellation or modification of policy.

(a) Worker's Compensation and Employers Liability Insurance:

The contractor shall have in effect, during the entire life of

this agreement, Workers' Compensation and Employer Liability Insurance providing full statutory coverage. In signing this agreement, the contractor makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of this work of the agreement.

(b) Liability Insurance: The contractor shall take out and maintain during the life of this agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him while performing work covered by this agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all operations under this agreement, whether such operations be by himself or by any sub-contractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall be not less than the amount specified below:

Such insurance shall include:

(i) Comprehensive General Liability: \$1,000,000.00

(ii) Motor Vehicle Liability Insurance: \$500,000.00

After three (3) years from the date of this agreement is first executed the County may, at its sole discretion, require an increase in the amount of liability insurance to the level then customary in similar County agreements by giving sixty (60) days

notice to contractor. County and its officers, agents, employees and servant shall be named as additionally insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

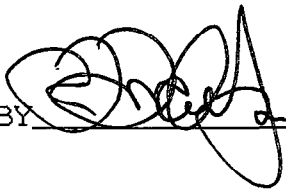
In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or cancelled, the County at its option, may, notwithstanding any other provision of this agreement to the contrary, immediately declare a material breach of this agreement and suspend all further work pursuant to this agreement.

WITNESS THE EXECUTION HEREOF the day and year first hereinabove set forth.

COUNTY OF SAN MATEO

CALIFORNIA FINANCIAL SERVICES

BY _____

BY  _____

DATE _____

DATE 9/7/02