

RESOLUTION NO. _____

Dated: _____

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, PROVIDING FOR THE BORROWING OF FUNDS ON BEHALF OF THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT FOR FISCAL YEAR 2003-2004 AND THE ISSUANCE AND SALE OF NOT TO EXCEED \$20,000,000 OF 2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE) FOR SAID DISTRICT BY A NEGOTIATED SALE PURSUANT TO A NOTE PURCHASE CONTRACT, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF SAID NOTE PURCHASE CONTRACT, AND AUTHORIZING EXECUTION OF NECESSARY CERTIFICATES.

WHEREAS, pursuant to Sections 53850 *et. seq.*, of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of said Government Code), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

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

WHEREAS, the Superintendent of Schools of the County of San Mateo has jurisdiction over the District; and

WHEREAS, the governing board of the District, the Board of Trustees ("the "Board of Trustees"), has filed with the Clerk of this Board of Supervisors (the "Board of Supervisors"), and the Clerk has received of said District, a resolution adopted by said Board of Trustees on August 20, 2003 (the "District Resolution"), requesting that this Board of Supervisors borrow money for the District by the authorization, issuance and sale of not to exceed \$20,000,000 principal amount of 2003-2004 Tax and Revenue Anticipation Notes (Taxable) of the District (the "Notes"), at an interest rate not to exceed the true interest cost not to exceed 5%, maturing not later than 15 months subsequent to their date of delivery, to be sold with an underwriter's discount not to exceed 1% of the aggregate principal amount of the Notes, and finding that said sum is needed to satisfy obligations of the District and that it is necessary that said sum be borrowed for such purpose as soon as possible on or after July 1, 2003, the first day of the fiscal year for which such borrowing is made (Fiscal Year 2003-2004); and

WHEREAS, the Board of Trustees of the District has found and determined that said principal amount, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys to be received by or which will accrue to the District for the General Fund of the District during Fiscal Year 2003-2004 and which will be available for the payment of the principal of and the interest on

said notes of the District, and that said sum is needed to satisfy obligations of the District, and that it is necessary that said sum be borrowed for such purpose at this time; and

WHEREAS, the District has represented that it has previously borrowed, during Fiscal Year 2003-2004, \$10,300,000 through the issuance of a San Mateo County Community College District 2003 Tax and Revenue Anticipation Note (the "Tax-Exempt Note"), delivered to the California Community College Financing Authority, which Tax-Exempt Note is payable from and secured by unrestricted revenues received by the District in the months ending January 31, 2004 and April 30, 2004; and

WHEREAS, the District has represented that it intends payments on the notes described herein to be subordinate to payments on the Tax-Exempt Note; and

WHEREAS, no money has heretofore been borrowed by it and it does not contemplate such a financing through the issuance of any temporary notes, other than its notes as herein provided for, in anticipation of the receipt or accrual of taxes, income, revenue, cash receipts or other moneys of the District for the General Fund of the District during Fiscal Year 2003-2004, or payable or secured by such moneys; and

WHEREAS, the County intends to borrow, for and in the name of the District for the purposes set forth above, an amount not to exceed \$20,000,000 by the issuance of said notes of the District, and to provide for the negotiated sale of said notes; and

WHEREAS, pursuant to Section 53856 of the Government Code, certain taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2003-2004 can be pledged for the payment of the principal of and the interest on the notes of the District described above, and the District has by its resolution pledged such moneys for the payment of said Notes; and

WHEREAS, there has been submitted to this Board of Supervisors, and is now on file with the Clerk of this Board of Supervisors, a form of Purchase Contract with respect to the purchase and sale of said notes (the "Purchase Contract"), by and among the District, the County, and the purchaser of the notes (the "Underwriter");

NOW, THEREFORE, the Board of Supervisors of the County of San Mateo hereby FINDS, RESOLVES, DETERMINES AND ORDERS, as follows:

Section 1. Recitals True and Correct: All the above recitals are true and correct.

Section 2. District Resolution Incorporated: The resolution of the Board of Trustees of the District adopted on August 20, 2003, is incorporated herein by reference and all of the provisions thereof are made a part hereof and shall be applicable to the notes herein provided for, except as herein otherwise expressly provided.

Section 3. Authorization of Notes: Solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by or which will accrue to the District for the General Fund of the District during Fiscal Year 2003-2004, and not pursuant to any common plan of financing, the County hereby determines to and shall issue (for and on behalf of the District) not to exceed \$20,000,000 principal amount of temporary notes pursuant to Sections

53850 et seq. of the Government Code. Said notes shall be designated the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable)" (the "Notes").

Section 4. Amount of Borrowing: The aggregate principal amount of the Notes shall be no greater than the amount recited in Section 3 hereof. The aggregate principal amount of the Notes so secured upon the sale of the Notes shall be specified in the Purchase Contract described in Section 10 hereof.

Section 5. Terms of Notes: The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 15 months subsequent to their date of delivery, which date shall be determined at the time of sale thereof and set forth in the Purchase Contract. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Purchase Contract, as provided in Section 10 hereof. The principal of and interest on the Notes shall be payable as described in Section 6 hereof. The Notes shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof.

Section 6. Payment of Notes; Pledge of Revenues; Repayment Fund:
(a) Payment of Principal and Interest. The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes, except as otherwise specified in the Purchase Contract. The principal of and the interest on the Notes shall be payable in lawful money of the United States of America to the registered owners of the Notes, as shown on the registration books required to be maintained by the Paying Agent (as defined in Section 8 hereof), pursuant to Section 8(c) hereof.

Interest due prior to the maturity of the Notes, if any, shall be payable to the registered owners of the Notes as of the close of business on the 15th day of the month preceding the interest payment date (the "Record Date"), by check mailed by the Paying Agent to such registered owners at their respective addresses shown in the registration books. Payment of said interest shall be made in immediately available funds (e.g., by wire transfer) to any owner of at least \$1,000,000 of outstanding Notes who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date.

Principal and interest due at maturity shall be paid to the registered owner of Notes only upon surrender of such Notes at the principal corporate trust office of the Paying Agent (as defined in Section 8 hereof). No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

(b) Payment of Principal and Interest from Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by or accrue to the District, after amounts have been set aside for payment of the obligations of the District for the General Fund of the District for the Fiscal Year 2003-2004 and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues").

As security for the payment of the principal of and interest on the Notes, the County (for and on behalf of the District) hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Note (Taxable) Repayment Fund" (the "Repayment Fund"), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Purchase Contract for the Notes described in Section 10 hereof, from the Unrestricted Revenues to be received by the District in each period specified in the Purchase Contract. The Treasurer-Tax Collector of the County (the "Treasurer"), on behalf of the District, shall set aside and deposit moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes on the date in each period as shall be specified in the Purchase Contract. The Purchase Contract may specify no more than two periodic deposits; provided, that the last such deposit shall be made no later than June 30, 2004, and such payment shall be in an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with regard to the Notes.

The Treasurer shall create and hold the Repayment Fund, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the County (for and on behalf of the District) for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and the principal of and the interest on the Notes shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

(c) Other Pledged Money. In the event that there have been insufficient Unrestricted Revenues received by the District by the third business day prior to the end of any period in which a deposit in the Repayment Fund is required to be made to permit the required deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other money of the District lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Moneys") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the District.

(d) Repayment Fund. All Pledged Revenues, and any other deposits required to be made into the Repayment Fund, shall, when received, be deposited in the Repayment Fund. All moneys in the Repayment Fund shall be invested as provided in Section 12 hereof.

Any money placed in the Repayment Fund shall be for the benefit of the registered owners of the Notes, and until the principal of the Notes and all interest thereon are paid or until provision has been made for the payment of the principal of the Notes at maturity with interest to maturity, the money in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

On any date on which interest is due on the Notes and on the date of maturity of the Notes, the money in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes. Any money remaining in or accruing to the Repayment Fund after the

principal of the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the General Fund of the District.

Section 7. Form and Execution of Notes: The Notes shall be issued without coupons and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein. The Treasurer is hereby authorized to cause the blank spaces of the Notes to be filled in, in accordance with the terms of the Notes specified in the Purchase Contract and as the Treasurer may otherwise deem to be appropriate. The Treasurer or a duly appointed deputy Treasurer is hereby authorized to execute the Notes by manual or facsimile signature, and the Clerk of this Board of Supervisors or a duly appointed deputy is hereby authorized to countersign the Notes by manual or facsimile signature. In the event all other signatures are by facsimile, the Notes shall be authenticated by the manual signature of a duly authorized officer of the Paying Agent.

Section 8. Paying Agent: (a) Appointment. The Treasurer is hereby authorized and directed to act as the initial paying agent, registrar and transfer agent (in such capacity, the "Paying Agent") for the District with respect to the Notes. Unless otherwise specifically noted, at any time that the Treasurer is Paying Agent hereunder, any reference herein to "the County and the Paying Agent" shall mean "the County" or "the Treasurer", as appropriate.

(b) Principal Corporate Trust Office. Unless otherwise specifically noted, any reference herein to the "office" or the "principal corporate trust office" of the Paying Agent shall mean for all purposes the office of the Treasurer-Tax Collector of the County of San Mateo in Redwood City, California; provided, that in any case "principal corporate trust office" shall mean any other place designated by the Paying Agent for a particular purpose, and shall include the principal corporate trust office or other designated office of any successor paying agent.

(c) Registration Books. The Paying Agent will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the District and the County. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

Section 9. Use of Depository; Registration; Transfer: (a) The Notes shall be initially issued and registered in the name of "Cede & Co.," as a member of The Depository Trust Company, New York, New York (hereinafter, Cede & Co. and The Depository Trust Company are referred to collectively as "The Depository Trust Company") and shall be evidenced by a single note certificate, in accordance with procedures of The Depository Trust Company. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except as set forth in subsection (b) of this Section.

(b) Registered ownership of the Notes, or any portions thereof, may not be transferred after initial registration except:

(i) to any successor of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (b) (a "Substitute Depository"); provided, that any successor of The Depository Trust Company or

Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

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

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

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section, upon receipt of all outstanding Notes by the Paying Agent, a single new Note, which the County shall prepare or cause to be prepared in accordance with Section 7 hereof, shall be executed and delivered and registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section, upon receipt of all outstanding Notes by the Paying Agent, new Notes, which the County shall prepare or cause to be prepared in accordance with Section 7 hereof, shall be executed and delivered in such denominations and registered in the names of such persons as are determined by the Paying Agent pursuant to a written request of the County or the District.

(d) Following the resignation or the removal of the depository pursuant to clause (iii) of subsection (b) of this Section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the County shall execute and the Paying Agent shall deliver a new Note or Notes of the same series of authorized denominations and the same nominal interest rate for a like aggregate principal amount. The Paying Agent shall require the registered owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(e) The District, the County, and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and for purposes of payment of principal and interest on such Note, notwithstanding any notice to the contrary received by the District, the County or the Paying Agent; and the District, the County, and the Paying Agent shall not have responsibility for transmitting payments to, with, notifying, or otherwise dealing with any beneficial owners of the Notes. Neither the District, the County nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to

any such beneficial owners or to any other party, including The Depository Trust Company or its successors (or any other Depository or its successor), except to the registered owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity of the registered owners of the Notes.

(f) Notwithstanding any other provisions of this resolution and so long as all outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the District, the County, and the Paying Agent shall cooperate with Cede & Co. or its registered assigns as sole registered owner, in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due; all in accordance with the letter of representations from the District to The Depository Trust Company, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(g) If any Note shall become mutilated, the County, at the expense of the owner of such Note, shall execute, and the Paying Agent shall thereupon deliver a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft may be submitted to the County and the Paying Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the owner, shall execute, and the Paying Agent shall thereupon deliver a new Note of like tenor and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or, if any such Note shall have matured, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Paying Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the Note so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be subject to the benefits of this resolution with all other Notes secured by this resolution.

(h) All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly cancelled by it. The County may at any time deliver to the Paying Agent for cancellation any Notes previously delivered hereunder which the County may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Paying Agent. No Note shall be delivered in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Paying Agent shall be disposed of as directed by the County.

Section 10. Sale of Notes; Purchase Contract: (a) The Purchase Contract for the Notes, in substantially the form submitted to and on file with the Clerk of this Board of Supervisors, is hereby approved, and the Treasurer (or duly appointed deputy Treasurer) is hereby authorized and directed on behalf of the County to execute and approve the Purchase Contract providing for the sale of the Notes by the Board of Supervisors of the County and the purchase thereof by the Underwriter at a purchase price to be set forth therein; provided, that (i) the true interest cost for the Notes shall not exceed 5%, (ii) the nominal interest rate on the Notes shall not exceed 5% per

annum, (iii) the underwriter's discount shall not exceed 1% of the aggregate principal amount of the Notes, and (iv) the Notes shall conform to the terms and conditions specified herein; and provided further, that such execution and approval shall constitute conclusive evidence of the approval by this Board of Supervisors of any changes or revisions therein from the form of Purchase Contract filed herewith.

(b) The Purchase Contract shall recite the aggregate principal amount, issuance date, maturity date, interest payment dates, if any, and interest rate of the Notes, and shall set forth the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each such date, all as shall be agreed among the District, the Treasurer, and the Underwriter at the time of sale of the Notes, and the Notes as finally executed and delivered shall conform in all respects with the terms recited in the Purchase Contract.

Section 11. Disposition of Note Proceeds; Proceeds Fund: There is hereby established a separate fund in the County treasury for the purpose of ensuring the application of the proceeds representing principal received from the sale of the Notes for the purpose specified in Section 3 hereof for which the Notes are to be issued, which separate fund is hereby designated the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Note (Taxable) Proceeds Fund" (the "Proceeds Fund"). The Treasurer shall, upon receiving the proceeds of the sale of the Notes, deposit in the Proceeds Fund all amounts representing principal received from such sale on behalf of the District. All money held by the Treasurer in the Proceeds Fund shall be invested as provided in Section 12 hereof. Amounts in the Proceeds Fund shall be pledged to repayment of the Notes and shall be maintained in the Proceeds Fund until the Treasurer has received notice that all proceeds of the Tax-Exempt Note have been expended; at such time, amounts in the Proceeds Fund may be withdrawn and deposited in the General Fund of the District and expended for any purpose for which the District is authorized to expend funds from its General Fund.

Section 12. Investment of Funds: All money held by the Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested, to the greatest extent possible, as permitted by the Government Code or this Section and the County Investment Policy of January 2003, and the proceeds of such investments shall be retained in each such respective Fund.

Section 13. Further Assurances: It is hereby covenanted and warranted by this Board of Supervisors that the County, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of this resolution and the Notes.

Section 14. [Reserved.]

Section 15. Approval of Actions: All actions heretofore taken by the officers and agents of the County or this Board of Supervisors with respect to the issuance and sale of the Notes are hereby approved, confirmed and ratified, and the employees and officers of the County, including the Chair of this Board of Supervisors, the Clerk of this Board of Supervisors, the Treasurer, the Auditor-Controller of the County, and the designees of any of them, shall be and they are hereby authorized and directed to execute and deliver any and all certificates and representations, including signature certificates, no-litigation certificates, certificates regarding continuing disclosure,

and other certificates proposed to be distributed in connection with the sale of the Notes, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution.

Section 16. Limited Responsibility for Official Statement: Neither the Board of Supervisors nor any officer of the County has prepared or reviewed the official statement of the District describing the Notes (the "Official Statement"), and this Board of Supervisors and the various officers of the County take no responsibility for the contents or distribution thereof; provided, however, that solely with respect to a section contained or to be contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures, as they may relate to funds of the District held by the Treasurer, the Treasurer is hereby authorized and directed to prepare and review such information for inclusion in the District's Official Statement and in a preliminary Official Statement, and to certify to the District prior to or upon the issuance of the Notes that the information contained in such section does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

Section 17. Disclosure Certificate: The County acknowledges and relies upon the fact that the District has represented that it shall execute a Continuing Disclosure Certificate containing such covenants of the District as shall be necessary to comply with the requirements of Securities and Exchange Commission Rule 15c2-12, and that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. The County assumes no responsibility for continuing disclosure requirements with respect to the Notes.

Section 18. Proceedings Constitute Contract: The provisions of the Notes and of this resolution shall constitute a contract between the County and the registered owners of the Notes, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and, upon issuance of the Notes, may not be repealed.

Section 19. Effective Date: This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Board of Supervisors on 9, 2003, by the following vote:

SUPERVISORS:

SO ORDERED.

CERTIFICATE OF THE CLERK OF THE BOARD OF SUPERVISORS

CLERK'S CERTIFICATE

I, John Maltbie, Clerk of the Board of Supervisors (the "Board") of the County of San Mateo, do hereby certify that the attached is a full, true and correct copy of a resolution and order duly adopted at a regular meeting of the Board duly and regularly and legally held at the regular meeting place thereof on September 9, 2003, and entered in the minutes thereof, of which meeting all the members of the Board had due notice and at which a quorum thereof was present; that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 401 Marshall Street, 3rd Floor, Redwood City, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office. 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.

WITNESS my hand this ___ day of _____, 2003.

Clerk of the Board of Supervisors
County of San Mateo

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 Tax and Tax and Revenue Anticipation Note (Taxable)

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN MATEO

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 Tax and Tax and Revenue Anticipation Note (Taxable)

Note Date: _____, 2003

CUSIP: _____

FOR VALUE RECEIVED, the County of San Mateo, State of California (the "County"), on behalf of the San Mateo County Community College District (the "District"), located in the County, hereby promises to pay to

CEDE & CO. (or registered assigns), as the Registered Owner hereof,

at the office of the Treasurer-Tax Collector of the County of San Mateo (the "County") in Redwood City, California, the Paying Agent, Registrar and Transfer Agent (the "Paying Agent") with respect to the Notes (as defined herein), the principal sum of

_____ DOLLARS
(\$ _____)

in lawful money of the United States of America, at its maturity date, on

_____, 2004

together with interest thereon at the rate of

_____ PER CENT (_____ %)

per annum (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. Interest shall be payable at the maturity hereof. This note shall not be subject to redemption prior to the stated maturity date.

Principal and interest due at maturity shall be paid to the registered owner hereof only upon surrender hereof at the principal corporate trust office of the Paying Agent (as defined in the Resolution hereinafter defined). No interest shall be payable for any period after maturity hereof during which the registered owner hereof fails to properly present this note for payment.

It is hereby certified, recited and declared that this note is one of an authorized issue of notes entitled, "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable)" (the "Notes"), in the aggregate principal amount of _____ Dollars (\$ _____) all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made, executed and given pursuant to and by authority of a resolution (the "Resolution") of the Board of Supervisors of the County duly passed and adopted on September 9, 2003 (at the request of the District pursuant to a resolution of the Board of Trustees of the District duly passed and adopted on August 20, 2003), and subject to the more particular terms specified in the Purchase Contract, executed on

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 Tax and Tax and Revenue Anticipation Note (Taxable)

_____, by the District and the County; and it is hereby further certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by or accrue to the District for the General Fund of the District for the Fiscal Year 2003-2004 and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on this note and all Notes of said authorized issue, the District has pledged: (i) an amount equal to one-_____ of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the period ending _____, (ii) an amount equal to one-_____ of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the period ending _____, and (iii) an amount equal to one-_____ of the principal amount of the Notes, plus an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with respect to the Notes, from the first Unrestricted Revenues to be received by the District during the period ending _____. The amounts pledged by the County (for and on behalf of the District) for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and the principal of and the interest on this note and all Notes of said authorized issue shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

This note is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount and the same nominal rate of interest will be issued to the transferees in exchange herefor. The District, the County and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the District, the County and the Paying Agent shall not be affected by any notice to the contrary.

This note shall not be valid or become obligatory for any purpose until the Certificate of Registration hereon shall have been signed by the Paying Agent.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 Tax and Tax and Revenue Anticipation Note (Taxable)

IN WITNESS WHEREOF, the Board of Supervisors of the County of San Mateo has caused this note to be executed by Treasurer-Tax Collector of the County by manual signature, and countersigned by its Clerk by manual signature, all as of the Note Date specified above.

COUNTY OF SAN MATEO

By _____
Treasurer-Tax Collector

Countersigned:

Clerk of the Board of Supervisors
of the County of San Mateo

DTC LEGEND

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 Tax and Tax and Revenue Anticipation Note (Taxable)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE) described in the within-
mentioned Resolution, which Note has been registered on _____.

Treasurer-Tax Collector of the County of San Mateo, as
Paying Agent

ASSIGNMENT

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

Dated: _____

NOTE: The signature(s) on this Assignment must correspond
with the name(s) as written on the face of the within Registered
Note in every particular, without alteration or enlargement or
any change whatsoever.

Taxpayer I.D. Number

Signature Guarantee: _____
Notice: Signature must be guaranteed by an eligible
guarantor institution.

PURCHASE CONTRACT for San Mateo County : : : : College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

Note to Bidders: This form of purchase contract has been approved for use in this transaction by the governing board of the issuing District and by the Board of Supervisors of the County, and the underwriter selected by the District and County will be required to enter into an agreement in substantially this form upon selection. The underwriter will be required to provide reoffering price information by completing and faxing the attached Appendix A to the fax number given thereon within 2 hours of notification of selection.

PURCHASE CONTRACT

[\$20,000,000]

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE)

_____, 2003

Board of Supervisors,
County of San Mateo
Board of Trustees,
San Mateo County Community College District

Ladies and Gentlemen:

The undersigned (the "Purchaser") offers to enter into this Purchase Contract with the County of San Mateo (the "County"), acting through its Treasurer-Tax Collector (the "County Treasurer"), and the Board of Trustees of the San Mateo County Community College District (the "District"), acting through its Executive Vice Chancellor. The offer made hereby is subject to acceptance by the County and the District by execution and delivery of this Purchase Contract (the "Purchase Contract") to the Purchaser at or prior to 11:59 p.m., California time, on the date hereof, but it shall be irrevocable until such time as it is sooner accepted or rejected by the County and the District. Upon acceptance of this offer by the County and the District in accordance with the terms hereof, this Purchase Contract will be binding upon the County, upon the District and upon the Purchaser.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Purchaser hereby agrees to purchase from the County for offering to the public, and the County hereby agrees, on behalf of the District, to sell to the Purchaser for such purpose, all (but not less than all) of the \$[20,000,000] aggregate principal amount of the District's San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable) (the "Notes"). The purchase price for the Notes shall be \$_____ (including an original issue premium of \$_____ on the Notes). The true interest cost for the Notes is _____%.

2. The Notes. The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6 of Chapter 4 of Part 1 of Division 2 of Title 5 of said Code, and herein called the "Act"), and in accordance with A resolution of the Board of Supervisors of the County, adopted on September 9, 2003 (the

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Revenue Anticipation Note

"Resolution"), and with Resolution No. _____ of the District, adopted by the Board of Trustees of the District on August 20, 2003 (the "District Resolution", and together with the County's Resolution, the "Resolutions"). The Notes shall conform in all respects to the terms and provisions set forth in the Resolution. The County Treasurer has been appointed and hereby agrees to act as Paying Agent with respect to the Notes pursuant to the Resolution.

A single maturity of Notes shall be issued, dated the date of Closing (as defined in Section 9 hereof), and the Notes shall mature on _____, 2004, without possibility of prior redemption. The Notes shall bear interest at the rate of _____ percent (____%) per annum. The Notes shall otherwise be as described in the Official Statement of the District with respect to the Notes.

As security for the payment of the principal of and interest on the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Note (Taxable) Repayment Fund" (the "Repayment Fund"):

(i) an amount equal to one-_____ of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the month [period] ending _____, 2004;

(ii) an amount equal to one-_____ of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the month [period] ending _____, 2004;

(iii) an amount equal to one-_____ of the principal amount of the Notes, plus an amount sufficient to pay the interest on the Notes at maturity, together with an amount sufficient to satisfy and make up any deficiency in the Repayment Fund with respect to the prior deposits, from the first Unrestricted Revenues to be received by the District during the month [period] ending _____, 2004.

A single certificate for the Notes will be prepared and delivered as described in Section 9 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY ("DTC"), and will be made available to the Purchaser for inspection at such place as may be mutually agreed to by the Purchaser and the District, not less than one (1) business day prior to the Closing. The Purchaser shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Purchase Contract.

3. Offering. The Purchaser agrees to make a bona fide public offering of all the Notes. For purposes of permitting the District to determine the yield on the Notes, the Purchaser has provided the District with the information in Appendix A attached hereto regarding the price at which the Notes were reoffered to the public.

The County hereby ratifies, approves, and confirms the distribution of this Purchase Contract and the Resolution, and the District hereby ratifies, approves, and confirms the distribution of this Purchase Contract and the Preliminary Official Statement of the District with respect to the Notes, dated _____, 2003 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the Notes by the Purchaser.

The Purchaser hereby represents that it has received and reviewed the Preliminary Official Statement, and agrees that it will provide, consistent with the requirements of Municipal Securities

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to a national repository on or before the date of Closing, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

The Purchaser hereby agrees that prior to the time the final Official Statement is available, the Purchaser will send to any potential purchaser of the 2003-2004 Notes, upon request, 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.

The District will deliver to the Purchaser within seven (7) business days from the date hereof, such reasonable number of copies as the Purchaser may request of the Official Statement of the District with respect to the Notes, signed on behalf of the District by an authorized officer thereof, dated as of the date hereof, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Purchaser, which approval shall not be unreasonably withheld.

4. Representations and Agreements of the County. The County represents to and agrees with the Purchaser that, as of the date hereof and as of the date of the Closing:

(a) The County is a political subdivision duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The County is duly authorized and has full legal right, power and authority to issue, sell and deliver the Notes on behalf of the District, pursuant to the direction of the District contained in the District Resolution, and to provisions of the laws of the State of California.

(c) The County has full legal right, power and authority to enter into this Purchase Contract, to adopt the Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the Resolution to be observed and performed by the County.

(d) The County has duly adopted the Resolution in accordance with the laws of the State; the Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the County set forth in the Resolution are true and correct on the date hereof; the County has duly authorized and approved the execution and delivery of, and the observance and performance by the County through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the County has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the Resolution, and the Notes.

(e) The Preliminary Official Statement as of its date, and the Official Statement as of its date, and if supplemented or amended, as of the date of any such supplement or amendment, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the County Treasurer), do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

5. Representations and Agreements of the District. The District represents to and agrees with the Purchaser that, as of the date hereof and as of the date of the Closing:

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

(a) The District is a school district duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Purchase Contract, to adopt the District Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the District Resolution required to be observed and performed by the District.

(c) The District has duly adopted the District Resolution in accordance with the laws of the State; the District Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the District set forth in the Resolution are true and correct; the District has duly authorized and approved the execution and delivery of, and the observance and performance by the District through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the District has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the District Resolution, and the Notes.

(d) The District represents to the Purchaser that the Preliminary Official Statement was "deemed final" by the District as of the date thereof within the meaning of paragraph (a)(2) of Rule 15c2-12, except for the omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

(e) The Preliminary Official Statement as of its date, and the Official Statement as of its date, and if supplemented or amended, as of the date of any such supplement or amendment, do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, or information describing the County's investment policy, current portfolio holdings, and valuation procedures, as to all of which the District expresses no view. Except as otherwise covenanted in the Continuing Disclosure Certificate of the District, the District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement.

(f) The District will undertake, pursuant to the District Resolution and a Continuing Disclosure Certificate, to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

(g) The District has, and has had, no financial advisory relationship with the Purchaser with respect to the Notes, nor with any investment firm controlling, controlled by or under common control with the Purchaser.

(h) The District has not received a qualified or negative certification in fiscal year 2003-2004 or in fiscal year [prior to year of issuance].

6. Representations and Agreements of the Purchaser. The Purchaser represents to and agrees with the District and the County that, as of the date hereof and as of the date of the Closing:

(a) The Purchaser is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it.

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

(b) The Purchaser is in compliance with MSRB Rule G-37 with respect to the County and the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Purchaser has, and has had, no financial advisory relationship with the District or the County with respect to the Notes and no investment firm controlling, controlled by or under common control with the Purchaser has or has had any such financial advisory relationship.

(d) The Purchaser has reasonably determined that the District's undertaking pursuant to Sections 5(f) and 7(j) hereof to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with Rule 15c2-12.

7. Conditions to Closing. At or before Closing, and contemporaneously with the acceptance of delivery of the Notes, and the payment of the purchase price thereof, the District will provide to the Purchaser:

(a) a certificate, signed by an official of the District, confirming to the Purchaser that, the Preliminary Official Statement as of its date, and the Official Statement as of its date, and as of the date of Closing, to the best of the knowledge of said official, do not contain any untrue statements of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Notes to rely upon the Official Statement in connection with the resale of the Notes, excluding in each case any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures.

(b) a certificate, signed by an official of the County, confirming to the Purchaser that the Preliminary Official Statement as of its date, and the Official Statement as of its date and at the time of Closing, to the best of the knowledge of said official, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the County Treasurer), do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) a certificate or certificates, signed by appropriate officials of the District or the County or both, confirming to the Purchaser that, as of the date of this Purchase Contract and at the time of Closing, to the best of the knowledge of said official or officials, there is no litigation pending concerning the validity of the Notes, the corporate existence of the District or the County, or the entitlement of the respective officers of the District or the County who shall sign the Notes, or any other documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices.

(d) a certificate or certificates, signed by an official of the District, confirming to the Purchaser that as of the date of Closing all of the representations of the District contained in this Purchase Contract are true, and that the District Resolution is in full force and effect and has not been amended, modified or rescinded.

(e) a certificate or certificates, signed by an official of the County, confirming to the Purchaser that as of the date of Closing all of the representations of the County contained in this

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

Purchase Contract are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded.

(f) the Opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Notes ("Bond Counsel"), addressed to the District, approving the validity of the Notes substantially in the form set forth as Appendix __ to the Official Statement.

(g) the letter of Standard & Poor's Ratings Service and Moody's Investors Service to the effect that the Notes have been rated "____" (or such other equivalent rating as such rating agency may give) and that such rating has not been revoked or downgraded.

(h) the receipt of the County Treasurer confirming payment by the Purchaser of the purchase price of the Notes.

(i) the Continuing Disclosure Certificate of the District with respect to the Notes, in substantially the form attached to the Preliminary Official Statement, containing such covenants of the District as shall be necessary to facilitate compliance by the Purchaser with the requirements of Securities and Exchange Commission Rule 15c2-12.

At or before Closing, and contemporaneously with the acceptance of delivery of the Notes and the payment of the purchase price thereof, the Purchaser will provide to the District the receipt of the Purchaser, in form satisfactory to the District and the County and signed by an authorized officer of the Purchaser, confirming delivery of the Notes to the Purchaser and the satisfaction of all conditions and terms of this agreement by the District and the County, respectively, and confirming to the District and the County that as of the Closing Date all of the representations of the Purchaser contained in this Purchase Contract are true and correct in all material respects.

8. Termination. (a) By District or County. In the event of the District's failure to cause the Notes to be delivered at the Closing, or inability of the District or the County to satisfy the conditions to the obligations of the Purchaser contained herein (unless waived by the Purchaser), or if the obligations of the Purchaser shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) By Purchaser.

(1) Excused. The Purchaser may terminate this Purchase Contract, without any liability therefor, by notification to the District and the County if as of the date of Closing any of the following shall have had a material adverse effect on the marketability of the Notes, in the reasonable opinion of the Purchaser, upon consultation with the District and the County:

(A) There shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(B) There shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(C) Legislation shall have been enacted by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Revenue Bonds

been rendered by a court of the United States, or the United States Tax Court, with respect to federal taxation of interest received on securities of the general character of the Notes, or legislation shall have been enacted by the State of California which renders interest on the Notes not exempt from State of California personal income taxes;

(D) Legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended; or

(E) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Notes or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters.

(2) Unexcused. In the event the Purchaser shall fail (other than for a reason permitted by this Purchase Contract) to pay for the Notes upon tender of the Notes at the Closing, the Purchaser shall have no right in or to the Notes.

9. Closing. At or before 9:00 a.m., California time, on October 8, 2003, or at such other date and time as shall have been mutually agreed upon by the District, the County and the Purchaser, the District will deliver or cause to be delivered to the Purchaser the Notes in book-entry form duly executed by the County, together with the other documents described in Section 7 hereof to be delivered by the District; and the Purchaser will accept such delivery and pay the purchase price of the Notes as set forth in Paragraph 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the County the other documents described in Section 7 hereof to be delivered by the Purchaser, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Notes as described herein shall be made at the offices of the County Treasurer, in Redwood City, California, or at such other place as shall have been mutually agreed upon by the County and the Purchaser. The Notes will be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District, the County and the Purchaser. All other documents to be delivered in connection with the delivery of the Notes shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Such payment and delivery is herein called the "Closing."

10. Expenses. The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) which expenses include: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of the financial advisor to the District, if any; (iv) the costs of the preparation, printing and delivery of the Notes; (v) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Purchaser in accordance with this Purchase Contract; (vi) initial rating fees of Standard & Poor's Ratings Services; and (vii) fees and expenses of the Paying Agent for the Notes.

All other costs and expenses incurred by the Purchaser as a result of or in connection with the purchase of the Notes and their public offering and distribution shall be borne by the Purchaser, including, but not limited to (i) clearing house fees; (ii) DTC fees; (iii) CUSIP fees; (iv) fees required to be

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

paid to the California Debt and Investment Advisory Commission ("CDIAC"); (v) The Bond Market Association fees; (vi) MSRB fees; (vii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Purchaser and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith; and (viii) fees of any counsel to the Purchaser.

11. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given by delivering the same in writing to the address of each party given below, or such other address as the District, County or the Purchaser may designate by notice to the other parties:

To the District: San Mateo County Community College District
3401 CSM Drive
San Mateo, CA 94402

Attn:

To the County: Treasurer-Tax Collector
County of San Mateo
555 County Center
Redwood City, CA 94063

Attn:

To the Purchaser: Morgan Stanley DW Inc.

12. Governing Law. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

13. Parties in Interest. This Purchase Contract when accepted by the County and the District in writing as heretofore specified shall constitute the entire agreement among the County, the District, and the Purchaser, and is solely for the benefit of the County, the District and the Purchaser (including the successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Notes hereunder, or (b) any termination of this Purchase Contract.

14. Headings. The headings of the paragraphs of this Purchase Contract are inserted for convenience of reference only and shall not be deemed to be a part hereof.

15. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the District and by the County by the respective authorized officer of each, and shall be valid and enforceable at the time of such acceptance.

PURCHASE CONTRACT for San Mateo County Community College District
2003-2004 Tax and Tax and Revenue Anticipation Notes (Taxable)

16. Counterparts. This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

MORGAN STANLEY DW INC.

By: _____
Authorized Officer

Accepted: [SALE DATE]

SAN MATEO COUNTY COMMUNITY COLLEGE
DISTRICT

By: _____
Executive Vice Chancellor

Accepted: [SALE DATE]

COUNTY OF SAN MATEO

By: _____
Treasurer-Tax Collector

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

[Delivery Date]

Board of Trustees
San Mateo County Community College District
San Mateo, California

San Mateo County Community College District
2003-2004 Tax and Revenue Anticipation Notes (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of San Mateo, California (the "County"), on behalf of the San Mateo County Community College District (the "District"), of \$_____ aggregate principal amount of temporary notes designated the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable)" (the "Notes"), pursuant to and by authority of a resolution of the Board of Supervisors of the County adopted on September 9, 2003 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Trustees of the District adopted on August 20, 2003 (the "District Resolution"), under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code.

In such connection, we have reviewed the District Resolution, the County Resolution, certifications of officers of the County and the District, and others, as to certain factual matters, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the District Resolution, the County Resolution, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all agreements and covenants contained in the District Resolution and the County Resolution. In addition, we call attention to the fact that the rights and obligations under the Notes, the District Resolution and the County Resolution and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles,

to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts and counties in the State of California. We express no opinion with respect to any indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Notes constitute valid and binding obligations of the District and that the principal of and interest on the Notes are payable from Pledged Revenues (as that term is defined in the County Resolution), and to the extent not so paid, are payable from any other moneys of the District lawfully available therefor.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
COUNTY OF SAN MATEO, CALIFORNIA**

Res. No. _____

RESOLUTION OF THE BOARD OF TRUSTEES OF THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT AUTHORIZING THE ISSUANCE OF 2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE) OF THE DISTRICT, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN MATEO TO ISSUE AND SELL NOT TO EXCEED \$20,000,000 OF SAID NOTES BY A NEGOTIATED SALE PURSUANT TO A NOTE PURCHASE CONTRACT, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF SAID NOTE PURCHASE CONTRACT, APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT WITH RESPECT TO SAID NOTES, AND AUTHORIZING THE EXECUTION OF NECESSARY CERTIFICATES

WHEREAS, pursuant to Sections 53850 et. seq., of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of said Government Code), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, this Board of Trustees (the "Board") of San Mateo County Community College District (the "District") has found and determined that a sum not to exceed \$20,000,000 is needed to satisfy obligations payable or accruing during Fiscal Year 2003-2004 from the General Fund of the District, and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes in anticipation of the receipt or accrual during Fiscal Year 2003-2004 of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District; and

WHEREAS, it appears, and the Board hereby finds and determines, that said principal amount, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2003-2004 and which will be available for the payment of the principal of and interest on said notes; and

WHEREAS, the District has previously borrowed, during Fiscal Year 2003-2004, \$10,300,000 through the issuance of a San Mateo County Community College District 2003 Tax and Revenue Anticipation Note (the "Tax-Exempt Note"), delivered to the California Community College Financing Authority, which Tax-Exempt Note is payable from and secured by unrestricted revenues received by the District in the months ending January 31, 2004 and April 30, 2004; and

WHEREAS, it is the intention of the District that payment on the notes described herein be subordinate to payments on the Tax-Exempt Note; and

WHEREAS, pursuant to Section 53856 of the Government Code of the State of California, certain taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2003-2004 can be pledged for the payment of said notes and the interest thereon (as hereinafter provided); and

WHEREAS, this Board of Trustees deems it necessary and desirable to authorize the sale of said notes by a negotiated sale pursuant to a note purchase contract (the "Purchase Contract") to be entered into with Morgan Stanley DW Inc. (the "Underwriter"); and

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

WHEREAS, the Superintendent of Schools of the County of San Mateo has jurisdiction over the District; and

WHEREAS, there have been submitted to this Board of Trustees, and are now on file with the Clerk of this Board of Trustees, forms of a Purchase Contract and an Official Statement with respect to and describing said notes;

NOW, THEREFORE, the Board of Trustees of the San Mateo County Community College District does hereby FIND, RESOLVE, DETERMINE AND ORDER, as follows:

Section 1. Recitals: All of the above recitals are true and correct.

Section 2. Request for Sale of Notes: For the purpose of satisfying obligations payable from the General Fund of the District, the Board hereby determines to borrow, and hereby requests the Board of Supervisors of the County of San Mateo (the "County") to borrow for and on behalf of the District, an aggregate principal amount not to exceed \$20,000,000 by the issuance and sale of temporary notes pursuant to Sections 53850 et seq. of the Government Code of the State of California in anticipation of the receipt or accrual of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District during Fiscal Year 2003-2004, and to designate said notes to be sold as the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable)" (the "Notes").

Section 3. Amount of Borrowing: The Chancellor-Superintendent of the District, the Executive Vice Chancellor of the District, or another officer of the District whom either of said officers shall designate in writing for the purpose (the "Authorized District Representative"), is hereby authorized to determine the aggregate principal amount of the Notes, which sum shall be no greater than the amount recited in Section 2 hereof. The aggregate principal amount of the Notes so determined shall be specified in the Purchase Contract described in Section 7 hereof.

Section 4. Terms of Notes: The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 15 months subsequent to their date of

delivery, which date shall be determined at the time of sale thereof and set forth in the Purchase Contract. The Notes shall be payable on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Purchase Contract, as provided in Section 7 hereof. The principal of and interest on the Notes shall be payable as described in Section 5 hereof. The Notes shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof.

Section 5. Payment of Notes; Pledge of Revenues; Repayment Fund:

(a) Paying Agent. The Treasurer-Tax Collector of the County, in Redwood City, California (the "County Treasurer"), is hereby requested and authorized to act as paying agent for the District with respect to the Notes.

(b) Payment of Principal and Interest. The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes, except as otherwise specified in the Purchase Contract.

(c) Pledge of Unrestricted Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys received by the District in each month, after amounts have been set aside for payment of the Tax-Exempt Note, for the General Fund of the District for the Fiscal Year 2003-2004 and lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues").

As security for the payment of the principal of and interest on the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Note (Taxable) Repayment Fund" (the "Repayment Fund"), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Purchase Contract for the Notes described in Section 7 hereof, from the first Unrestricted Revenues to be received by the District in each period specified in the Purchase Contract. The Authorized District Representative is hereby authorized to covenant in the Purchase Contract that the District shall set aside moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes in up to five equal periodic deposits; provided, that the last such deposit shall be made no later than June 30, 2004. The County Treasurer is hereby requested to create and hold the Repayment Fund, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the County (for and on behalf of the District) for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and the principal of and the interest on the Notes shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

(d) Other Pledged Money. In the event that there have been insufficient Unrestricted Revenues received by the District by the third business day prior to the end of any period in which a deposit in the Repayment Fund is required to be made to permit the required deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other money of the District lawfully available for the payment of the principal of the

Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Money") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Money are received by the District.

Section 6. Reserved.

Section 7. Purchase Contract: (a) The Purchase Contract for the Notes, in substantially the form submitted to and on file with the Clerk of this Board of Trustees, is hereby approved, and the Authorized District Representative is hereby authorized and directed on behalf of the District to execute and approve the Purchase Contract providing for the sale of the Notes by the Board of Supervisors of the County and the purchase thereof by the Underwriter at a purchase price to be set forth therein; provided, that (i) the true interest cost for the Notes shall not exceed 5%, (ii) the nominal interest rate on the Notes shall not exceed 5% per annum, (iii) the underwriter's discount shall not exceed 1% of the aggregate principal amount of the Notes, and (iv) the Notes shall otherwise conform to the limitations specified herein; and provided further, that such execution and approval shall constitute conclusive evidence of the approval by the District of any changes or revisions therein from the form of Purchase Contract filed herewith. The Board of Supervisors of the County is hereby requested to cause the Purchase Contract to be executed and delivered on behalf of the County, subject to such changes or revisions therein as may be acceptable to the District and to the Board of Supervisors of the County.

(b) The Purchase Contract shall recite the aggregate principal amount, issuance date, maturity date, interest payment dates, if any, and interest rate of the Notes, and shall set forth the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each such date, all as shall be agreed among the Authorized District Representative, the County Treasurer, and the Underwriter at the time of sale of the Notes, and the Notes as finally executed and delivered shall conform in all respects with the terms recited in the Purchase Contract.

Section 8. Investment of Funds: (a) All money held by the County Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested, to the greatest extent possible, as permitted by the Government Code or this Section and the County Investment Policy of January 2003, and the proceeds of such investments shall be deposited in each such respective Fund.

Section 9. Official Statement: The Official Statement relating to the Notes, in substantially the form submitted to and on file with the Clerk of this Board of Trustees, is hereby approved and adopted as the Official Statement of the District with respect to the Notes (the "Official Statement"), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Underwriter is hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify to the Underwriter, on behalf of the District, that the preliminary form of the Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and the Underwriter is hereby authorized and directed to deliver copies of such Official Statement in final form to all subsequent purchasers of the Notes.

Section 10. Continuing Disclosure: The Authorized District Representative is hereby authorized to execute a Continuing Disclosure Certificate on behalf of the District in substantially the form attached hereto as Exhibit A, with such changes thereto as deemed necessary in order to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 12. Filing with Board of Supervisors: The Clerk of this Board of Trustees is hereby authorized and directed to file a certified copy of this resolution with the Board of Supervisors of the County, which shall constitute the request of this Board of Trustees that the Board of Supervisors of the County issue and sell the Notes as soon as practicable, and to simultaneously provide certified copies of this resolution to the Superintendent of Schools of the County and to the County Treasurer.

Section 13. Further Assurances: The District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this resolution and the Notes.

Section 14. Approval of Actions: All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, and the Chancellor-Superintendent of the District, the Executive Vice Chancellor, the Clerk of this Board, and any and all other officers of the District are hereby authorized and directed for and in the name of and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution. Whenever the Chancellor-Superintendent of the District is authorized to take any action hereunder, the Authorized District Representative is hereby authorized to take such action on behalf of this Board.

Section 15. Effective Date: This resolution shall take effect from and after its date of adoption.

REGULARLY PASSED AND ADOPTED this day, August 20, 2003, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

President of the Board of Trustees of the San Mateo
County Community College District

ATTEST:

Executive Vice Chancellor of the Board of
Trustees of the San Mateo County
Community College District

CERTIFICATE REGARDING RESOLUTION

I, James Keller, Executive Vice Chancellor of the Board of Trustees of the San Mateo County Community College District, County of San Mateo, California, hereby certify as follows:

The attached 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 held at the regular place thereof on August 20, 2003, and entered in the minutes thereof, of which meeting all of the members of said Board of Trustees had due notice and at which a quorum thereof was present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 3401 CSM Drive, San Mateo, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I have carefully compared the same with the original minutes of said meeting on file and of record in the office of the Secretary of the Board of Trustees. 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.

Pursuant to Section 12 of said resolution, I have caused a certified copy thereof to be filed with the Board of Supervisors of the County, and copies thereof to be delivered to the Superintendent of Schools of the County and to the County Treasurer.

WITNESS my hand this ___ day of _____, 2003.

Executive Vice Chancellor of the Board of Trustees
of the San Mateo County Community College District

EXHIBIT A

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Mateo County Community College District (the "District") of the County of San Mateo, California (the "County") in connection with the issuance of \$_____ aggregate principal amount of its San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable) (the "Notes") pursuant to a resolution (the "Resolution") adopted by the Board of Supervisors of the County on September 9, 2003, at the request of the Board of Trustees of the District by its resolution adopted on August 20, 2003. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the registered owners of the Notes and in order to assist the Participating Underwriters of the Notes in complying with S.E.C. Rule 15c2-12(d)(3).

The Notes have a stated maturity of less than 18 months, and as such the offering of the Notes is exempt from S.E.C. Rule 15c2-12(b)(5) (other than paragraph (B)(5)(i)(C) thereof) pursuant to Section (d)(3) of said Rule.

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

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes, including persons holding Notes through nominees or depositories.

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"Listed Event" shall mean any of the events listed in Section 3(a) of the 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 are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"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 Repository" shall mean any public or private repository or entity designated by the State of California as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission, as listed at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Tax-exempt" shall mean that interest on the Notes is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“Participating Underwriter” shall mean any of the original underwriters of the Notes, if any, required to comply with the Rule in connection with the offering of the Notes.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, the District shall give notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Holders.
4. optional, contingent or unscheduled note calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Notes.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements 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 Notes.
12. any qualified or negative certification of the District’s budget by the Board of Trustees of the District or the San Mateo County Superintendent of Schools.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material, the District shall promptly file a notice of such occurrence with each Repository.

SECTION 4. Termination of Reporting Obligation. The District’s obligations under the Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 5. Nothing in the Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the District shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 6. Default. In the event of a failure of the District to comply with any provision of the Disclosure Certificate, the Participating Underwriters or any Holder 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 the Disclosure Certificate; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of San Mateo or in U.S. District Court in or nearest to the County; provided, that the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 7. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters and the Holders, and shall create no rights in any other person or entity.

Dated: _____.

SAN MATEO COUNTY COMMUNITY COLLEGE
DISTRICT

By _____ [to be signed upon issuance]

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2003
(OHS DRAFT August 18, 2003)

NEW ISSUE – BOOK-ENTRY ONLY

RATING:

See “MISCELLANEOUS - Rating” herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is exempt from present State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not excludable from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “LEGAL MATTERS - Tax Matters” herein.

§ _____ *

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(COUNTY OF SAN MATEO, CALIFORNIA)
2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE)**

Dated: Date of Delivery

Due: _____, 2004

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes are issued by the Board of Supervisors of the County of San Mateo (the “County”) at the request of the San Mateo County Community College District (the “District”). The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, is payable (on a *subordinate* basis, as described herein) from taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District during Fiscal Year 2003-04 and which are lawfully available for the payment of current expenses and other obligations of the District. *The District cannot be legally obligated to pay the Notes from revenue of a future year, and the District is not authorized to increase tax rates to repay the Notes in the event other available moneys are insufficient.*

As security for the payment of principal of and interest on the Notes, the District has pledged certain Pledged Revenues, as defined herein, to be deposited in a Repayment Fund, as defined herein, at certain times on or before June 30, 2003. **THE NOTES AND THE PLEDGE OF REVENUES THEREFOR ARE SUBORDINATE TO CERTAIN OTHER TAX AND REVENUE ANTICIPATION NOTES OF THE DISTRICT PAYABLE FROM FISCAL YEAR 2003-04 REVENUES.** See “THE NOTES - Security and Sources of Payment” herein.

Principal of and interest on the Notes are payable only at maturity. The Notes are not subject to redemption prior to maturity. See “THE NOTES - General Provisions of the Notes” herein.

Interest Rate

Priced to Yield

_____ %

_____ %

The Notes will be offered when, as and if issued on behalf of the District and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. It is anticipated that the Notes, in book-entry form, will be available for delivery through DTC in New York, New York, on or about September __, 2003.

Official Statement dated _____, 2003.

MORGAN STANLEY & CO. INCORPORATED

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. 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 the registration or qualification under the securities laws of such jurisdiction.

This Official Statement does not constitute an offering of any security other than the original offering of the Notes by 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 Notes have not been registered under the Securities Act of 1933 in reliance upon an exemption under Section 3(a)2 thereof for the issuance and sale of municipal securities. 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.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Any statement made in this Official Statement involving a forecast, estimate or matter of expectation or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements". Such statements are generally identifiable by the terminology used, such as, "The District expects...", "estimates," "plans," "budgets," "projects," or similar words and phrases. The achievement of the outcomes projected in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from the expected results expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based occur or fail to occur.

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 the completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES 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 NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(COUNTY OF SAN MATEO, CALIFORNIA)**

Board of Trustees

Helen Hausman
Board President

Thomas L. Constantino
Vice President-Clerk

Richard Holober
Member

Patricia Miljanich
Member

Karen Schwarz
Member

Tom Rogers
Student Trustee

District Administration

Ron Galatolo
Chancellor-Superintendent

James Keller
Executive Vice Chancellor

PROFESSIONAL SERVICES

Underwriter

Morgan Stanley & Co., Incorporated
San Francisco, California

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent

Treasurer-Tax Collector
San Mateo County
Redwood City, California

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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(COUNTY OF SAN MATEO, CALIFORNIA)
2003-2004 TAX AND REVENUE ANTICIPATION NOTES (TAXABLE)**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of _____ * aggregate principal amount of San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable) (the "Notes"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "MISCELLANEOUS – Continuing Disclosure" herein.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the Underwriter or owners of any of the Notes.

AS DESCRIBED HEREIN, THE NOTES AND THE PLEDGE OF REVENUES THEREFOR ARE SUBORDINATE TO CERTAIN OTHER TAX AND REVENUE ANTICIPATION NOTES OF THE DISTRICT PAYABLE FROM FISCAL YEAR 2003-04 REVENUES.

Quotations from and summaries and explanations of the Notes, the Resolutions providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Notes are available from the District through the Office of the Chancellor-Superintendent, 3401 CSM Drive, San Mateo, California 94402. The District may impose a charge for copying, mailing and handling.

The District

The District provides community college educational services to residents of the County of San Mateo, California, located between San Francisco and Silicon Valley. The District was established in 1922, and operates three Colleges: the College of San Mateo, Cañada College, and Skyline College. Combined, the three Colleges of the District serve approximately 50,000 students annually and offer the first two years of college-level instruction in a wide variety of transfer programs as well as more than 90 vocational-technical programs. Students can earn either Associate in Arts or Science degrees or receive Certificates of Proficiency in their chosen fields. The District also operates a public television station, KCSM-TV Channel 60, which offers a variety of televised courses for credit each semester. Noncredit, short courses are offered for a fee through the Community Education Program. Each college is fully accredited by the Western Association of Schools and Colleges, the recognized local accrediting agency for the western United States, affiliated with the Federation of Regional Accrediting Commissions of Higher Education.

The District is governed by a six-member Board of Trustees, with five _____ members elected at large by County voters for four-year terms and one nonvoting student member elected by students for a one-year term. The day-to-day operations are managed by the board-appointed Chancellor-Superintendent. Ron Galatolo has served in this position since May 2001.

*Preliminary, subject to change.

The District has adopted a 2003-04 unrestricted general fund budget of approximately \$97 million. As of September 1, 2003, the District employed approximately [1700] employees, many on an hourly or part-time basis, the equivalent of [633] full-time equivalent ("FTE") certificated employees (teaching staff), [443] FTE classified employees (nonteaching), and [46] FTE administrative personnel. Total assessed valuation of taxable property in the District is \$[_____]. The District is coterminous with the County of San Mateo (the "County").

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

THE NOTES

Purpose of the Notes

The Notes are issued in anticipation of future receipt of moneys in the general fund of the District for the 2003-04 Fiscal Year. After all proceeds of the Tax-Exempt Note (as defined herein) have been spent, proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District.

Authority for Issuance

The Notes are issued by the Board of Supervisors of the County of San Mateo (the "County") on behalf of the District in conformity with the laws of the State, including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to resolutions adopted by the Board of Trustees of the District on August 20, 2003, and by the Board of Supervisors on September 9, 2003, authorizing the sale and issuance of the Notes (together, the "Resolution").

General Provisions of the Notes

Issuance and Maturity: The Notes will be dated the date of delivery thereof, and, assuming delivery on _____, 2003, will mature on _____, 2004.

Payment. The Notes will bear interest at the rate per annum set forth on the cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will accrue commencing on the date of delivery of the Notes. Principal of and interest on the Notes are payable only at maturity, in lawful money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal trust office of the Paying Agent, initially the Treasurer-Tax Collector of the County (the "County Treasurer"). No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

Form and Registration: The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Notes will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, beneficial owners will not receive physical certificates representing their ownership interests. See **APPENDIX E: "BOOK-ENTRY ONLY SYSTEM."**

Redemption: The Notes are not subject to redemption prior to maturity.

The Tax-Exempt Note – Subordination of the Notes

The District previously issued its \$10,300,000 San Mateo County Community College District 2003 Tax and Revenue Anticipation Notes (the "Tax-Exempt Note"), delivered to the California Community

College Financing Authority as part of a pooled financing involving tax and revenue anticipation notes issued by school districts throughout the State. The Tax-Exempt Note is payable from any lawfully available funds of the District received by or which accrue to the District during Fiscal Year 2003-04 and as security for repayment of the Tax Exempt Notes, the District has pledged and granted a first lien on the first unrestricted revenues received by the District in the months ending January 31, 2004 and April 30, 2004. The pledge by the District of Unrestricted Revenues (as defined below) to payment of the Notes is subordinate to the District's pledge of revenues to make payment on the Tax-Exempt Note.

Security and Sources of Payment

The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from the "Unrestricted Revenues" of the District. Unrestricted Revenues consist of taxes, income, revenue, cash receipts and other moneys received by the District in each pledge month, *after amounts have been set aside for payment of the Tax-Exempt Note*, for the General Fund of the District for the Fiscal Year 2003-2004 and lawfully available for the payment of current expenses and other obligations of the District.

The District has pledged to deposit with the County Treasurer in a special Repayment Fund (a) an amount equal to fifty percent (50%) of the principal amount of the Notes from the first Unrestricted Revenues (defined as revenues received after amounts have been set aside for payment of the Tax-Exempt Note) received by the District in the month ending January 31, 2004; and (b) an amount equal to fifty percent (50%) of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes at maturity, from the first Unrestricted Revenues received by the District in the month ending April 30, 2004. The amounts so pledged are known as the "Pledged Revenues." The principal of the Notes and the interest thereon will be a first lien and charge against the Pledged Revenues.

To the extent not so paid from the Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient Unrestricted Revenues received by the District by the third business day prior to the end of any month to permit the deposit into the Repayment Fund, as hereinafter defined, of the full amount of the Pledged Revenues required to be deposited from Unrestricted Revenues in such month, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the principal of and interest on the Notes when and as such other moneys are received.

Although the Notes are a general obligation of the District, (1) they are subordinate to the Tax-Exempt Note and (2) the statutory pledge only extends to revenues of Fiscal Year 2003-04, and the District cannot be legally obligated to pay the Notes from revenues of a future year. Other than a statutory entitlement to its share of the county-wide 1% *ad valorem* tax levy, the District has no authority, and cannot be compelled, to levy taxes to pay the principal of or interest on the Notes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS", herein.

The Resolution creates a special fund to be held by the County Treasurer separate and distinct from all other County and District funds and accounts, designated the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable) Repayment Fund" (the "Repayment Fund"). Any moneys placed in the Repayment Fund will be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for payment of the Notes at maturity, will be applied solely for the purposes for which the Repayment Fund is created.

At maturity, the County Treasurer, acting as the paying agent for the Notes (the "Paying Agent") shall transfer to the registered owner of the Notes the moneys in the Repayment Fund necessary to pay the principal of and interest then due on the Notes.

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as "APPENDIX A", is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of the Notes, the ability of an owner to be paid in a timely manner, or both.

Because the County Treasurer is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County Treasurer's pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could trace the funds, the owners may be merely unsecured creditors of the bankrupt County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the County Treasurer could be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

Investment of Note Proceeds and Repayment Fund

Substantially all of the District's operating funds are held by the County Treasurer and invested pursuant to law and the County's investment policy. Proceeds from the sale of the Notes will be deposited in the Treasury of the County in a special proceeds fund (the "Proceeds Fund") within the general fund of the District.

All money held by the County Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested, to the greatest extent possible, as permitted by the Government Code and the County Investment Policy, and the proceeds of such investments shall be retained in each such respective Fund. See APPENDIX D: "COUNTY OF SAN MATEO INVESTMENT POLICIES AND PRACTICES" herein for a description of the County's investment policy, current portfolio holdings and valuation procedures.

Amounts in the Proceeds Fund shall be pledged to repayment of the Notes and shall be maintained in the Proceeds Fund until the County Treasurer has received notice that all proceeds of the Tax-Exempt Note have been expended; at such time, amounts in the Proceeds Fund may be withdrawn and deposited in the General Fund of the District and expended for any purpose for which the District is authorized to expend funds from its General Fund.

DISTRICT FINANCIAL AND OPERATING INFORMATION

General

The District provides community college educational services to residents of the County of San Mateo, California, located between San Francisco and Silicon Valley. The District was established in 1922, and operates three Colleges: the College of San Mateo, Cañada College, and Skyline College. Combined, the three Colleges of the District serve approximately 50,000 students annually and offer the first two years of college-level instruction in a wide variety of transfer programs as well as more than 90 vocational-technical programs. Students can earn either Associate in Arts or Science degrees or receive Certificates of Proficiency in their chosen fields. The District also operates a public television station, KCSM-TV Channel 60, which offers a variety of televised courses for credit each semester. Noncredit, short courses are offered for a fee through the Community Education Program. Each college is fully accredited by the Western Association of Schools and Colleges, the recognized local accrediting agency for the western United States, affiliated with the Federation of Regional Accrediting Commissions of Higher Education.

The District is governed by a six-member Board of Trustees, with five voting members elected at large by County voters for four-year terms and one nonvoting student member elected by students for a one-year

term. The day-to-day operations are managed by the board-appointed Chancellor-Superintendent. Ron Galatolo has served in this position since May 2001.

The District has adopted a 2003-04 unrestricted general fund budget of approximately \$97 million. As of September 1, 2003, the District employed approximately [1700] employees, many on an hourly or part-time basis, the equivalent of [633] full-time equivalent ("FTE") certificated employees (teaching staff), [443] FTE classified employees (nonteaching), and [46] FTE administrative personnel. Total assessed valuation of taxable property in the District is \$[_____]. The District is coterminous with the County of San Mateo (the "County").

San Mateo County Community College District Labor Organizations

<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration</u>
American Fed. of Teachers Local 1493		
Calif. School Employees Assoc. Local 33		
American Fed. of State, County and Municipal Employees Local 829		

[TO BE UPDATED] Pursuant to the existing collective bargaining agreement the District has with the San Mateo Community College Federation of Teachers, American Federation of Teachers Local 1493 ("AFT"), AFT is allowed to reopen negotiations concerning wages and employee benefits. Pursuant to this provision the District began negotiating with AFT in October of 2001 about salaries for both full-time and part-time employees for the current academic year of 2001-02. An impasse in such negotiations was declared by AFT in April 2002 and an unfair practice charge was filed by AFT against the District under the State of California Public Employee Relations Board. The charge focuses on the District's proposed treatment of \$949,000 in one-time appropriated State budget funds known as "Parity Funds." Parity Funds are intended to increase compensation for part-time faculty to make part-time faculty salaries more comparable to full-time salaries for similar work as determined by each district's local collective bargaining unit. The contract governing the AFT requires the grievance procedure to end in binding arbitration. Negotiations on salaries and similar issues with all other employee groups have been concluded successfully by the District.

Funding of College Operations

General. California school district operating income is derived from State and local sources. The State apportionment is funded from the State's general fund according to constitutional and statutory formulae. The local portion consists of the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution, transfers required by State law to be made from certain other local governments into the Education Revenue Augmentation Fund (ERAF), and student enrollment fees. School districts may be eligible for other special categorical funding for State and federal programs.

State Funding. The State Constitution provides that "From all state revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education." This provision was initially enacted by, and is commonly referred to as, "Proposition 98". Through a complicated formula that depends on the growth in State general fund revenues, personal income, and enrollment, Proposition 98 dictates the minimum percentage of State revenues that must be set aside each year for K-12 schools and community colleges *in the aggregate*. Currently, the figure is approximately [33]% of the State General Fund budget, or approximately \$45 billion in Fiscal Year 2003-04.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". An impartial analysis of the

budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The effect of Proposition 98 has proven especially difficult to predict accurately when State general fund revenues do not meet expectations. In several years in the early 1990s, as the State's economy was sliding into a recession, the State's budgeted allocations for school and college districts proved to be more than Proposition 98 would have required. The excess amounts were later treated by the State as advances to school and college districts against subsequent years' Proposition 98 minimum funding levels, resulting in aggregate funding reductions of over \$1 billion in those years. In 2002-03 and 2003-04, the worsening State financial position again resulted in retroactive adjustments as well as current-year cuts. The Legislative Analyst reports that legislative actions in mid-Fiscal Year 2002-03 eliminated \$2.5 billion from budgeted Proposition 98 funding through a combination of deferral of expenditures to Fiscal Year 2003-04, use of one-time funds, captured program savings, and other cuts. In general, deferral of education expenditures and reductions in the components of Proposition 98 funding have the effect of reducing the base from which future Proposition 98 minimum funding levels are calculated. Legislation enacted in March 2003 permanently defers the apportionment of Proposition 98 funds scheduled each year in June to each July 2, and thus from one fiscal year to the next. These and other techniques will significantly reduce the minimum guarantee requirement for Fiscal Years 2003-04 and beyond.

The Legislature adopted the 2003-04 Fiscal Year budget on July 29, 2003, although additional pending legislation is expected to affect final budget totals. The following information is adapted from the Legislative Analyst's budget analysis: The budget provides Proposition 98 funding of \$45.7 billion, including community colleges. Community colleges are funded at \$4.4 billion, which is \$[4] million less than the original adopted 2002-03 budget, and \$[2] million less than the mid-year revised 2002-03 budget.

Local Contribution. School district budgeting begins each year with a calculation of "base revenue" for each district. This is computed principally from the prior year's base revenue, as adjusted (upward or downward) for certain items such as cost of living, program improvement, growth or decline in student enrollment, and "equalization" (which may be added to assist low-revenue districts), as determined by the governor and legislature in the annual budget process.

The State apportionment to community colleges is calculated based on initial estimates of the local property taxes and enrollment fees that are included in base revenue at the time the State budget is adopted. Once calculated, the total statewide apportionment is not adjusted upward, even if there are shortfalls in the other sources. Instead, changes in local property taxes (which are not evident until December and April, when property taxes are due) become adjustments to the State apportionment each district receives. In a district where the assessed valuation of taxable property is relatively high, the district receives relatively less State apportionment when funding falls short of the total statewide need. Ultimately, a district may receive so much in local property taxes and fees that it is able to fully fund its base revenue amount, and will receive no apportionment revenue from the State. Such a district is referred to as "self supporting" (or "basic aid", a term more typically used to refer to K-12 school districts that are fully funded from local taxes). If local property taxes are sufficient to provide revenues in excess of the base revenue allocation calculated by the State, the district may keep the excess.

The District's unrestricted general fund revenues for 2003-04 are budgeted at \$97,490,397. Of that amount, \$[] (approximately \$[] per resident student) is base revenue that is calculated by the State formula and is required to be funded from property taxes, student fees and State apportionment. However, unlike most other community colleges in the State, the District does not need State apportionment funding to meet this revenue base. It is fully funded from local property taxes (including ERAF funds) and student fees. Because of the strong local property tax base in San Mateo County, the District has not required state apportionment funding for the past five years, and in fact, is eligible for additional ERAF funds that exceed the calculated revenue base. Therefore, if there are deficits in the State funding formula, the District will not share in those deficits to the same extent as districts which receive State-apportionment funds under the base revenue limit formula.

In its 2003-04 adopted budget, the District projects that it will receive \$[] in local property tax, \$[] in ERAF funds and \$[] in student fees, which totals 100% of its base revenue. The remainder of the general fund revenue is provided from special state allocations, lottery funds, non-resident tuition, interest earnings, etc. Lottery funds, which are distributed to schools and colleges proportional to their total enrollment, are estimated to be \$[], or about []% of 2003-04 general fund revenue. Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research.

Enrollment Fees. Enrollment fees are a relatively small contributor to District income, budgeted at \$[] or []% of general fund revenues in Fiscal Year 2003-04. A brief history of the District's enrollment in terms of FTES is shown below.

**San Mateo County Community College District
Total FTES⁽¹⁾**

Fiscal Year	Full-Time Equivalent Students
1993-94	18,085
1994-95	17,770
1995-96	17,398
1996-97	16,946
1997-98	17,917
1998-99	18,964
1999-00	19,010
2000-01	18,273
2001-02	[18,821]
2002-03 (Estimate)	[19,000]
2003-04 (Budget)	[]

⁽¹⁾ Student enrollment is typically greater than FTES "attendance" since many students are enrolled less than full time.

Fiscal Accountability

On or before September 15 of each year, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a budget.

The statewide governing board of the California Community Colleges (the "Board of Governors") and the State Chancellor's Office of the California Community Colleges have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's school districts. In accordance with statutory and regulatory provisions, the State Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the State Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community Colleges Budget and Accounting Manual. 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.

[Vavrinek, Trine, Day & Co., LLP], Pleasanton, California, serves as independent auditor to the District and excerpts of its report for Fiscal Year Ended June 30, 2002, are attached hereto as Appendix B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit excerpts herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to file its audited financial statements with the county clerk, county superintendent of schools, the Board of Governors, and the State Department of Finance, no later than November 15 following the close of each fiscal year.

The following table summarizes the District's actual or estimated unrestricted general fund revenue, expenditures and fund balances for Fiscal Years 1999-00 through 2002-03, and as budgeted for Fiscal Year 2003-04.

**San Mateo County Community College District
Unrestricted General Fund**

**Revenues, Expenditures and Fund Balances
1999-00 through 2003-04**

	<u>1999-2000</u> Actual ⁽¹⁾	<u>2000-01</u> Actual ⁽¹⁾	<u>2001-02</u> Actual ⁽¹⁾	<u>2002-03</u> Estimate ⁽¹⁾	<u>2003-04</u> Budget ⁽²⁾
Revenues/Receipts					
Federal Revenue					
State Revenue					
Local Revenue					
TOTAL	<hr/>				
Expenditures/Disbursements					
Certificated Salaries					
Classified Salaries					
Employee Benefits					
Books and Supplies					
Services/Other					
Operating Expenditures					
Capital Outlay					
TOTAL	<hr/>				
Excess of Revenues over Expenditures					
OTHER SOURCES (USES)					
Transfers In/Other Sources					
Transfers Out					
Other Uses					
TOTAL	<hr/>				
Excess of Revenues Over Expenditures Plus Other Financing Sources/Uses					
FUND BALANCE, BEGINNING OF YEAR					
FUND BALANCE, END OF YEAR					

⁽¹⁾ Excerpted from the District's audited Financial Statements.

⁽²⁾ Adopted Budget, [September] 2003.

⁽³⁾ Includes contingency for reserves (a budgeted item), as well as all carry-over funds that are re-budgeted as expenses or other Sources/(Uses) in the budget year.

Retirement Systems

The District participates in the State Teachers' Retirement System ("STRS") for all full-time and some part-time certificated employees. This defined benefit pension plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State law. The District's employer contribution to STRS was \$[_____] in 2001-02, is budgeted to be \$[_____] for Fiscal Year 2002-03, and is expected to be \$[_____] in Fiscal Year 2003-04.

The District contributes to the Public Employees' Retirement System (PERS) on behalf of its PERS-covered employees (generally, noninstructional staff). This defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law. The contribution rate is set by PERS using a formula that takes into account performance of the PERS fund.

The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. STRS and PERS are more fully described in APPENDIX B: "EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2002", Note 12.

Joint Powers Arrangements for Insurance

The District maintains insurance of various types, including employee vision and dental benefits, and a workers' compensation plan. The District obtains workers' compensation and dental insurance from the San Mateo County Schools Insurance Group (SMCSIG) and property casualty and liability insurance from the Bay Area Community College Districts (BACCD) risk pool and the Statewide Association of Community Colleges (SACC). Each is a Joint Powers Authority organized for the purpose of providing insurance coverage for its members. The District is a member of SMCSIG and BACCD. The District's potential share of each JPA's liabilities have not been calculated. These joint powers arrangements are described further in APPENDIX B: "EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2002", Note 14.

The District maintains property insurance up to \$100,000,000, with a deductible of \$10,000. Coverage up to \$240,000 is obtained from BACCD, and the balance is obtained from SACC. The District maintains liability insurance coverage up to \$15,000,000, with a deductible of \$10,000. Coverage up to \$90,000 is obtained from BACCD, up to \$900,000 is obtained from SACC, and reinsurance coverage is obtained through SACC up to \$4,000,000. Beyond that level, coverage is provided by the Schools Excess Liability Fund JPA. [update?]

District Debt Structure

Short-Term Borrowing. The District normally issues tax and revenue anticipation notes, such as the Tax-Exempt Note and the Notes, each year in order to provide working capital during periods of the year when local taxes have yet to be collected. Local taxes are generally distributed to the District in December and April, while expenditures tend to occur more evenly throughout the year. [HISTORY OF SHORT-TERM BORROWINGS TO COME.]

Long-term Borrowing. in June 2002, the District issued its 2002 General Obligation Bonds (Election of 2001), Series A, in the amount of \$96,875,612.95 (the "Bonds"). The Bonds are structured to include both current interest bonds and capital appreciation bonds. Debt service payments on the Bonds are scheduled to be made as follows:

Bond Year (ending September 1)	Current Interest Bonds		Capital Appreciation Bonds Debt Service*	Total Annual Debt Service
	Principal	Interest		
2003	\$2,335,000	\$4,310,013.00	\$ -	\$ 6,645,013.00
2004	3,455,000	3,521,627.50	-	6,976,627.50
2005	3,905,000	3,417,977.50	-	7,322,977.50
2006	1,395,000	3,300,827.50	-	4,695,827.50
2007	1,560,000	3,258,977.50	-	4,818,977.50
2008	1,855,000	3,212,177.50	-	5,067,177.50
2009	2,175,000	3,150,962.50	-	5,325,962.50
2010	2,525,000	3,072,118.76	-	5,597,118.76
2011	2,935,000	2,945,868.76	-	5,880,868.76
2012	3,355,000	2,828,468.76	-	6,183,468.76
2013	3,805,000	2,694,268.76	-	6,499,268.76
2014	4,285,000	2,542,068.76	-	6,827,068.76
2015	4,845,000	2,327,818.76	-	7,172,818.76
2016	2,120,000	2,067,400.00	3,350,000	7,537,400.00
2017	2,310,000	1,953,450.00	3,660,000	7,923,450.00
2018	2,515,000	1,829,287.50	3,980,000	8,324,287.50
2019	2,735,000	1,694,106.26	4,315,000	8,744,106.26
2020	2,960,000	1,547,100.00	4,680,000	9,187,100.00
2021	3,210,000	1,388,000.00	5,055,000	9,653,000.00
2022	3,465,000	1,227,500.00	5,450,000	10,142,500.00
2023	4,685,000	1,054,250.00	4,915,000	10,654,250.00
2024	5,060,000	820,000.00	5,315,000	11,195,000.00
2025	5,460,000	567,000.00	5,735,000	11,762,000.00
2026	<u>5,880,000</u>	<u>294,000.00</u>	<u>6,180,000</u>	<u>12,354,000.00</u>
Total	\$78,830,000	\$55,025,269.32	\$52,635,000	\$186,490,269.32

Other than the Bonds, the District does not have any outstanding long-term debts or other obligations. The District has, in the past, issued certificates of participation, none of which are outstanding. The District is considering a lease financing next spring to finance athletic facilities and other capital improvements.

Capital Leases. In May 2001, the District entered into a lease-purchase agreement in the amount of \$750,000 for site preparation and the purchase of three mobile modular buildings. Rental is payable from the District's general fund. The final payment is due in 2003-04 in the amount of \$269,079.

Other. The District's accumulated liabilities of all types are described in APPENDIX B: "EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2002."

District Cash Flows

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts follow an uneven pattern, primarily because secured tax installment payment dates are in December and April.

Exhibits I and II which follow show actual cash receipts and disbursements for Fiscal Year 2002-03 and projected cash receipts and disbursements for Fiscal Year 2003-04. The projected 2003-04 monthly receipts and disbursements take the receipt of proceeds of the Tax-Exempt Note and the Notes, and repayment of the Tax-Exempt Note and the Notes, into consideration.

[insert cash flow tables

2002-03 actual, 2003-04 projected, taking into account Tax-Exempt Note]

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds approved at the 2001 election falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

The State Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court entitled, *County of Orange v. Orange County Assessment Appeals Board No. 3* (Case No. 00CC03385 in files of that court), and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In 2001, the Orange County Superior Court issued an order declaring the recapture practice to be unconstitutional as applied to the plaintiff taxpayer. In December 2002, the Superior Court certified the case as a class action, affecting all Orange County taxpayers subject to assessment recapture. The court’s final judgment in favor of the taxpayers was released on April 18, 2003. Orange County has appealed the case to the California Court of Appeal. A ruling by the Court of Appeal could extend the decision to the County. The District is unable to predict the outcome of this litigation and what effect, if any, it might have on assessed values in the District and on the District’s property tax revenues.

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles

XIIIC and XIID to the State Constitution, 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. Among other things, Article XIIIC 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. Article XIIIC also 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 XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the County to levy the 1% *ad valorem* property tax and to distribute proceeds of the tax to local agencies in the County, including the District. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No such fees are imposed by the District.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIB of the California Constitution. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

In Fiscal Year 2002-03, the District had an appropriations limit of \$[] and appropriations subject to the limit of \$[]. The District's appropriations limit is budgeted to be \$[] for Fiscal Year 2003-04.

Future initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and Propositions 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.

LOCAL PROPERTY TAXATION

Tax Levies, Collections and Delinquencies

The annual property tax rate is limited to 1% of the full cash value, plus the amount necessary to pay all obligations legally payable from *ad valorem* taxes in the current year. As required by State Law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are County, city and other special district taxes.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Property taxes on the secured roll are due in two equal installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. If the taxes have not been paid by June 30, the tax is deemed to be in default. Secured roll property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If the taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due as of the lien date of January 1 and become delinquent if unpaid on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Sections 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including the District, levying property taxes in the County receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected, with the credit funded from a reserve established and held by the County for this purpose. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any subsequent fiscal year, the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may discontinue the Teeter Plan with respect to any assessments on the secured roll for any year. The Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency in the County if the rate of secured tax delinquency therein exceeds 3% in any year.

The following table shows real property tax collections and delinquencies in the District for Fiscal Years 1997-1998 through 2002-03. *[Review table for common sense before using.]*

**San Mateo County Community College District
Secured Tax Charges and Delinquencies**

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent as of June 30</u>
1997-98	\$649,841,672.34	\$9,335,380.03	1.44%
1998-99	701,392,472.08	9,017,223.24	1.29
1999-00	761,904,979.48	10,409,312.15	1.37
2000-01	826,441,111.84	12,062,233.18	1.46
2001-02			
2002-03			

Source: California Municipal Statistics, Inc.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2003-04 assessed value of approximately \$ _____ billion. For assessment and tax collection purposes, property is classified either as “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 property (real or personal) for which a lien on real property is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. All other property is “unsecured”, and is assessed on the “unsecured roll”. Shown in the following table is the assessed valuation of property in the District in the last several fiscal years.

**San Mateo County Community College District
Summary of Assessed Valuation**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1992-93	\$45,419,500,128	\$110,300,499	\$6,102,876,331	\$51,632,676,958
1993-94	47,455,136,079	84,915,005	6,678,590,238	54,218,641,322
1994-95	48,859,212,171	106,671,233	6,497,822,716	55,463,706,120
1995-96	50,509,117,133	85,435,566	6,500,050,820	57,094,603,519
1996-97	52,135,445,088	83,804,418	6,557,599,555	58,776,849,061
1997-98	54,960,244,485	78,120,641	6,674,135,203	61,712,500,329
1998-99	59,451,920,737	88,012,480	7,299,445,705	66,839,378,922
1999-00	64,875,361,630	57,245,892	7,644,046,404	72,576,653,926
2000-01	70,944,641,281	53,585,285	8,853,391,690	79,851,618,256
2001-02	79,744,378,147	103,941,193	9,938,435,870	89,786,755,210
2002-03				

Source: California Municipal Statistics, Inc.

Largest Taxpayers. The 20 largest taxpayers in the District, ranked by aggregate assessed value of taxable property, as shown on the 2002-03 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown below.

**San Mateo County Community College District
Major Taxpayers 2002-03 [UPDATE]**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Assessed Value</u>	<u>Percent of Total⁽¹⁾</u>
1.	Genentech Inc.	Industrial		
2.	Oracle Corporation	Office Building		
3.	Spieker Properties LP	Office Building		
4.	Sun Microsystems Inc.	Office Building		
5.	Pacific Shores Development LLC	Office Building		
6.	Sobrato Interests	Office Building		
7.	Town Center East	Office Building		
8.	Franklin Templeton Corporate Services	Office Building		
9.	HMC Burlingame Hotel LLC	Hotel		
10.	Peery Public Investment Co.	Office Building		
11.	Bohnannon Development Co.	Shopping Center		
12.	Visa Land Development/ Visa Int'l Services	Office Building		
13.	Martin & Campus LLC	Office Building		
14.	Peninsula Office Park	Office Building		
15.	Stanford Research Institute	Office Building		
16.	BRE Properties Inc.	Office Building		
17.	Electronics for Imaging Inc.	Office Building		
18.	Gateway Center LLC	Industrial		
19.	Bayhill Four Associates	Office Building		
20.	Raychem Corp.	Industrial		
			\$	%

⁽¹⁾ 2002-03 Local Secured Assessed Valuation: \$[_____]

Source: California Municipal Statistics, Inc.

LEGAL MATTERS

Legal Opinion

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in **APPENDIX A: "PROPOSED FORM OF OPINION OF BOND COUNSEL"**. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is exempt from State of California personal income taxes.

Although Bond Counsel is of the opinion that interest on the Notes is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

No attempt has been made or will be made to comply with certain requirements relating to the exclusion from gross income for federal tax purposes of interest on the Notes; therefore, interest on the Notes will not be excluded from gross income for federal income tax purposes. Under existing tax law, a legal defeasance of Notes could constitute a deemed retirement of such Notes, upon which owners thereof would recognize taxable gain or loss.

Legality for Investment in the State of California

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

No Litigation

The District is not aware of any litigation pending or threatened against the District concerning the political existence of the District, the validity of the Notes, the District's ability to receive State aid, *ad valorem* taxes and other revenues, or contesting the District's ability to issue and retire the Notes, and the District will deliver a certificate to that effect at the time of original delivery of the Notes.

The District is subject to legal proceedings and claims which arise in the ordinary course of business. The aggregate amount of the uninsured liabilities of the District with respect to these actions will not, in the opinion of the District, materially affect the financial position or operations of the District.

MISCELLANEOUS

Rating

[] has assigned its municipal note rating of "[]" to the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: [].

Generally, a rating agency bases its rating on the information and materials furnished to it, and on investigations, studies, and assumptions of its own. The District has provided certain information to the rating agency which is not included in this Official Statement. There is no assurance that a rating assigned will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Notes.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with State information repository, if any. The specific nature of the information to be contained in the notices of material events is summarized in **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 has never failed to comply in all material respects with its previous undertakings with regard to the Rule to file annual reports or notices of material events.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is acting as Bond Counsel to the District with respect to the Notes. Orrick, Herrington & Sutcliffe LLP will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

The Notes are being purchased for reoffering to the public by Morgan Stanley & Co. Incorporated (the "Underwriter") pursuant to the terms of a purchase contract dated _____, 2003, by and among the County, the District, and the Underwriter (the "Purchase Contract") at a purchase price of \$ _____. The Purchase Contract obligates the Underwriter to purchase all of the Notes if any are purchased, subject to certain terms and conditions to be satisfied by the District and the County. The Underwriter has certified the reoffering price or yield set forth on the cover hereof at which the Notes have been reoffered to the public and at which at least 10% of the Notes have been sold. Based on such certification, underwriting compensation (or "spread") is \$ _____. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price shown on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Additional Information

Quotations from and summaries and explanations of the Notes, the Resolutions providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

**SAN MATEO COUNTY COMMUNITY COLLEGE
DISTRICT**

By: _____
Ron Galatolo
Chancellor-Superintendent

* * *

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Delivery Date]

Board of Trustees
San Mateo County Community College District
San Mateo, California

San Mateo County Community College District
2003-2004 Tax and Revenue Anticipation Notes (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of San Mateo, California (the "County"), on behalf of the San Mateo County Community College District (the "District"), of \$ _____ aggregate principal amount of temporary notes designated the "San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable)" (the "Notes") pursuant to and by authority of a resolution of the Board of Supervisors of the County adopted on September 9, 2003 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Trustees of the District adopted on August 20, 2003 (the "District Resolution"), under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code.

In such connection, we have reviewed the District Resolution, the County Resolution, certifications of officers of the County and the District, and others, as to certain factual matters, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the District Resolution, the County Resolution, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, and parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all agreements and covenants contained in the District Resolution and the County Resolution. In addition, we call attention to the fact that the rights and obligations under the Notes, the District Resolution and the County Resolution and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts and counties in the State of California. We express no opinion with respect to any indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy,

completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute valid and binding obligations of the District. The principal of and interest on the Notes are payable from Pledged Revenues (as that term is defined in the County Resolution), and to the extent not so paid, are payable from any other moneys of the District lawfully available therefor.

2. Interest on the Notes is exempt from State of California personal income taxes. We observe, however, that interest on the Notes is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX B
EXCERPTS FROM THE DISTRICT'S
2001-02 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Mateo County Community College District (the "District") of the County of San Mateo, California (the "County") in connection with the issuance of \$ _____ aggregate principal amount of its San Mateo County Community College District 2003-2004 Tax and Revenue Anticipation Notes (Taxable) (the "Notes") pursuant to a resolution (the "Resolution") adopted by the Board of Supervisors of the County on September 9, 2003, at the request of the Board of Trustees of the District by its resolution adopted on August 20, 2003. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the registered owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(d)(3).

The Notes have a stated maturity of less than 18 months, and as such the offering of the Notes is exempt from S.E.C. Rule 15c2-12(b)(5) (other than paragraph (B)(5)(i)(C) thereof) pursuant to Section (d)(3) of said Rule.

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

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes, including persons holding Notes through nominees or depositories.

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"Listed Event" shall mean any of the events listed in Section 3(a) of the 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 are set forth at <http://www.sec.gov/municipal/info/nrmsir.htm>.

"Participating Underwriter" shall mean any underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"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 Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission, as set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, the District shall give notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Holders.
4. [optional, contingent or unscheduled] Note calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax status of the Notes.
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties.
10. substitution of credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Notes.
12. any qualified or negative certification of the District's budget by the Board of Trustees or [the San Mateo County Superintendent of Schools].

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material, the District shall promptly file a notice of such occurrence with each Repository.

SECTION 4. Termination of Reporting Obligation. The District's obligations under the Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the District shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 6. Default. In the event of a failure of the District to comply with any provision of the Disclosure Certificate, the Participating Underwriters or any Holder 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 the Disclosure Certificate; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of San Mateo or in U.S. District Court in or nearest to the County; provided, that the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 7. 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 Notes, and shall create no rights in any other person or entity.

Dated: _____.

SAN MATEO COUNTY COMMUNITY COLLEGE
DISTRICT

APPENDIX D

COUNTY OF SAN MATEO
INVESTMENT POLICIES AND PRACTICES
AND POOLED INVESTMENT FUND DESCRIPTION

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of San Mateo. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector, 555 County Center, 1st Floor, Redwood City, CA 94063.



COUNTY
OF
SAN MATEO
POOLED FUND
INVESTMENT POLICY

January, 2003

SAN MATEO COUNTY INVESTMENT POLICY

January 3, 2003

To meet the needs of liquidity and long term investing the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds. The securities in this pool may have longer individual maturities, but will have a dollar weighted average maturity of no more than five years.

“Dollar Weighted average portfolio maturity” means the sum of every portfolio investment multiplied by its respective number of years to maturity divided by the total amount of portfolio investments.

The responsibility for managing the San Mateo County investment program resides with the Treasurer. The investment program is supervised within the guidelines set forth in the investment policy, developed by the Treasurer, reviewed and approved annually by the County Treasury Oversight Committee and the County Board of Supervisors.

This policy sets aside up to one million dollars for investment in banks whose primary operations are located in San Mateo County. Investments from this fund must meet the requirements of the California Government Code and any investment of more than \$100,000 must be collateralized at a rate of 105% to 150% of the value of the deposit to guarantee the safety of the public funds.

Other socially responsible issues may be considered for inclusion in this investment policy (1) so long as they are not inconsistent with generally accepted investment standards for the management of pooled public funds (Government Code 53601 & 53635), and (2) they remain within the guidelines of the “Prudent Person Rule”.

OBJECTIVES OF THE FUND: SAFETY, LIQUIDITY, YIELD AND PUBLIC TRUST

1. Safety

Preservation of principal is of primary importance. The objective is to minimize credit risk while recognizing and controlling market risk,

2. Liquidity

The Pool attempts to match maturities with capital expenditures and other planned outlays. The nature of the planning process behind these expenditures is relatively predictable and less volatile than is the case for pass-through money. This allows leeway for the underlying investments in the County Pool to have a longer duration. The County Pool will maintain a dollar weighted average portfolio maturity of five years or less.

Funds deposited in the County Pool may be reclaimed subject to the conditions of Sections 27133 (h) and 27136 of the California Government Code 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 this fund will be proportionately allocated to each depositor. Each depositor is given credit for accrued interest earnings and capital gains based on their average daily pool balance as reported by the county controller. Gains or losses will be attributed to the fund balance of each depositor quarterly. The minimum balance for an outside agency to maintain an account in the county pool is \$100,000.

For those agencies requesting wire transfer of their apportionment money, or a portion thereof, the following conditions will apply. The county will only wire funds out for members, who maintain an account in the county pool.

Moneys apportioned to voluntary participants who want their funds wired out will be held in a separate account and will be wired out the day after receipt of the funds. Wiring instructions must be received in the Treasurer’s Office 24 hours prior to the actual date of transfer. Wiring instructions must be signed by authorized signatories on file with the Treasurer’s Office.

3. Yield

The County Pool 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 will be considered only after the basic requirements of safety and credit quality have been met. The County Pool is managed as an income fund whose purpose is to provide its investors with a reasonably predictable level of income, as opposed to a growth fund or fund measured in the basis of total return that could encounter negative returns.

4. Leverage

The Treasurer shall not leverage the County Pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy. Security lending is authorized by this policy, if and when it is authorized within the context of section 53601 and section 53635 of the Government code. If used Security Lending will be limited to a maximum of 20% of the portfolio.

5. Public Trust

In managing the Investment Portfolio, the Treasurer shall exercise a degree of professionalism that will sustain public confidence in the County and pool participants, remembering that both investment instruments and the method of transacting investment business are subject to public scrutiny. The perception of safety and professionalism is as important as the reality of these concepts. To further public trust the Investment Officer is prohibited from doing personal business with brokers that do business with the county.

In the implementation of the Investment Policy, the County adheres to the guidance provided by the "Prudent Person Rule", whereby a fiduciary is obligated to ensure investments will be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The Treasurer's office has created a synthetic index of securities, based on various readily available Merrill Lynch indices, that parallel the pool's investment objectives. This index will be used as an artificial measure of the pool performance, and the general interest rate outlook.

The allocation of the synthetic index is as follows:

30%	0-1 year U.S. Governments
20%	1-2.99 year U.S. Governments
20%	3-5 year U.S. Governments
10%	1-10 year U.S. Governments
20%	1-5 year Corporate Bonds

This Investment Policy must be reviewed and approved annually by the County Board of Supervisors. All amendments to this Policy must be approved by the Board of Supervisors.

This Investment Policy and all subsequent amendments will be communicated by the Treasurer to the Pool participants and acknowledged in writing.

STRATEGY: ALLOWABLE INSTRUMENTS, FLEXIBILITY, QUALIFICATIONS

Subject to the limitations set forth in California Government Code sections 53600 et seq., which may be amended from time-to-time, the Treasurer may invest in the following instruments, subject to the limits of flexibility described in the following table:

INSTRUMENT	RATING	LIMITATIONS		
		% of Fund	% of Fund per Issuer	Maturity
U.S. Treasury Obligations		100	100	15 years
Obligations of U.S. Agencies or government sponsored enterprises		100	100	15 years
Bankers Acceptances	A-1 / P-1			
*Domestic: (\$500 million minimum assets)		15	10	180 days
*Foreign: (\$500 million minimum assets)		15	10	180 days
INSTRUMENT	RATING	LIMITATIONS		
		% of Fund	% of Fund per Issuer	Maturity
Collateralized time deposits within the state of CALIFORNIA		30	10	1 year
Negotiable certificates of deposit		10	5	5 years
*Commercial paper	A-1 / P-1	40	10	270 days or less
Repurchase agreements secured by U.S. Treasury or agency obligation (102% collateral)		100	50	1 year
Reverse Repurchase agreements		20	20	92 days
Corporate bonds and medium term notes including asset-backed bonds (two agencies)	A	30	10	5 years
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section 53601		10	5	30 days
Mortgage Backed Securities: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	A	20	5	5 years

MATURITY AND AVERAGE LIFE OF THE COUNTY POOL

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 5 years. The focus of this fund is on income and value in the yield curve. On the basis of risk/reward there is very little yield incentive to move out on the yield curve beyond intermediate maturities. The policy of maintaining a maximum dollar weighted maturity of five years leaves open the flexibility to take advantage of interest rate trends to maximize the return on investment. The imposed maximum five year average maturity limits the market risk to levels appropriate to an intermediate income fund. The word "Maturity" refers to the instrument's stated legal final redemption date - not coupons reset dates, put dates, or call dates.

Securities purchased specifically to match the maturity of a bond issue and/or a contractual arrangement must be authorized by Government Code 53601 and 53635, but are not included in the requirements listed above; such securities shall be clearly designated in the appropriate investment journals and reports.

QUALIFICATIONS OF ALL INSTRUMENTS TO BE USED AS INVESTMENTS IN THE COUNTY POOL

U.S. Treasury Obligations are obligations for which the full faith and credit of the United States Government are pledged for the payment of principal and credit.

Obligations of U.S. Agencies are debt instruments issued by a federal agency carrying a high credit rating because it is government sponsored.

Banker's Acceptances must be drawn on Banks whose short term rating is A1/P1 (S&P and Moody's) or better whose long term rating is A or better by two of the nationally recognized rating services (Moody's, Standard and Poor's, Fitch, Duff & Phelps) and rank among the largest 50 banks in the world. Foreign banks with domestic licensed branches must be considered in light of their parent country's political and economic stability. Bankers' Acceptances may not exceed 180 days in maturity. All things being equal, preference will be given to banks with branches in CALIFORNIA.

Collateralized C.D.s must comply with Government Codes:

1. Bank Deposit Law Section 16500 *et seq.*
2. Savings and Loan Association section 16600 *et. seq.*

In addition, all recipient institutions must have a short term rating of A1/P1 or better and be rated A or better by two of the nationally recognized rating services.

Negotiable C.D.s issued by nationally or state chartered Banks or Savings and Loans or by a domestic-licensed branch of a foreign bank, must have a short term rating of A1/P1 or better and have a long term rating of A or better by two of the nationally recognized rating services, and must have a liquid secondary market. The following types of C.D.s are authorized by this Policy:

<u>C.D. Type</u>	<u>Issuer</u>
Domestic:	Domestic Offices of U.S. Banks
Yankee:	U.S. Branches of Foreign Banks
Eurodollar:	Issued in London by U.S. Banks
Thrift:	U.S. S & L's and Savings Banks

Commercial Paper must be rated A1/P1 by two of the nationally recognized rating services. Eligibility is further limited to U.S. organized and operating corporations with assets in excess of \$500 million, and having an A or better rating on the issuer's debt other than commercial paper and may not exceed 270 days maturity. Purchases may not represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper normally will not exceed 40% of the fund's investible money.

Repurchase Agreements will only be executed with dealers with whom the County has written agreements and who report to the Market Reports Division of the Federal Reserve Bank of N.Y., *i.e.* Primary Dealers, and will be collateralized at 102% of current value plus accrued interest and will be marked to market daily. The collateral received must meet the requirements of the pool investment policy. These dealers shall not be entitled to Rights of Substitution except as authorized by the County. The maturity of the underlying collateral will be as specified in sections 53601 and 53635 of the California Government Code. For purposes of this section, the term "Repurchase Agreement" means a purchase of a security by the County pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the County by book-entry, or by third-party custodial agreement. The custodian shall maintain a debt rating of at least A by one of the three nationally recognized rating services. When the transaction is unwound the transfer of underlying securities back to the counter party bank's account will be by book-entry. The term "counter party" means the other party to the transaction with the County. The term "securities" in a repurchase agreements means securities of the same issuer, description, issue date and maturity. The maximum term of a Repurchase Agreement shall not exceed one year.

Reverse Repurchase Agreements may be used so long as the securities purchased 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, and subject to the limitations of Government Code 53601 and 53635 with special attention to 53635.7. The term "Reverse Repurchase Agreement" means a sale of securities by the County pursuant to an agreement by which the County will repurchase such securities on or before a specified date and for a specified price.

Corporate Securities must be rated A or better by Moody's, Standard and Poor's or Fitch. Corporate asset-backed securities must be issued by an issuer having an A or higher rating for the issuer's debt by two of the three nationally recognized rating services, and the corporation must further be rated at least AA or its equivalent. Securities in this classification must be registered with the Securities and Exchange Commission and be publicly traded or, at least, have undergone shelf registration. The maximum maturity for any Corporate Securities purchased is five years.

Local Agency Investment Fund is an investment fund run by the Treasurer of the State of California to pool local agency investments.

Shares of Beneficial Interest issued by diversified management companies investing in the securities and obligations authorized by this policy may be purchased by the fund. However, these companies must be rated AAA by at least two nationally recognized rating services, and have an Investment Advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by this policy, and have assets under management of over \$500,000,000. The purchase price of these shares of beneficial interest may not include any commission these companies may charge.

Mortgage Backed Securities are debt instruments with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the loans.

Inverse Floaters are instruments with interest rates that change according to market conditions generally having rates that move contrary to a specific measure. Inverse Floaters are not authorized for investment.

Range Notes are instruments in which the interest rate will move within specific limitations based on market conditions. Range Notes are not authorized for investment.

Interest Only Strips based on Mortgages is the separation of coupons from a mortgage backed bond where the coupons become a security, and the remaining face value bond becomes another security that is known as a Zero Coupon bond. Interest only strips based on mortgages are not authorized for investment.

CONTROLS

Investment Authority and Responsibility: The responsibility for conducting the County's investment program resides with the Treasurer, who supervises the investment program within the guidelines set forth in this policy. The Treasurer may delegate the authority for day-to-day investment activity to the Assistant Treasurer.

County Treasury Oversight Committee: The Board of Supervisors, in consultation with the Treasurer, hereby establishes an eight member County Treasury Oversight Committee pursuant to California Government Code section 27130 et. seq. Members of the County Treasury Oversight Committee shall be selected pursuant to California Government Code 27131. The Treasury Oversight Committee will meet at least quarterly to evaluate general strategies and to monitor results and shall include in its discussions the economic outlook, portfolio diversification, maturity structure and potential risks to the funds. All actions by the Treasury Oversight Committee will be governed by rules set out in Section 27131 et. seq. of the California Government Code.

Membership in the County Treasury Oversight Committee will pay particular attention to California Government Code Sections 27132.1, 27132.2, 27132.3 and 27132.4 which read as follows:

27132.1 A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

27132.2 A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

27132.3 A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers or with financial services firms during the period that the person is a member of the committee or for three years after leaving the committee.

27132.4 Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (chapter 9-commencing with section 54950) of Part 1 of Division 2 of Title 5.

Reporting: The Treasurer will prepare a monthly report for the County Pool participants and members of the County Treasury Oversight Committee stating the type of investment, name of the issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund the report will list average maturity and the market value. In addition, the Treasurer shall prepare 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. This projection shall be for at least the succeeding 12 months.

Annual Audit of Compliance: The County Treasury Oversight Committee shall cause an annual audit to be conducted of the portfolios, procedures, reports and operations related to the County Pool in compliance with California Government Code Section 27134.

Loss Control: While this Investment Policy is based on the prudent person rule, the Treasurer shall seek to enhance total portfolio return by means of active portfolio management. In any professionally managed portfolio occasional controlled losses are inevitable, and these must be realized and judged within the context of overall portfolio performance. Losses shall be allocated as otherwise described in this Investment Policy.

Credit Quality: Should any financial institution represented in the portfolio be downgraded by any of the major rating services to a rating below those established in this investment policy, the Treasurer must immediately make an informed decision as to the disposition of that asset, and will so advise the County Treasury Oversight Committee. The situation will be monitored daily by the Treasurer until final disposition has been made.

Approved Brokers: The Treasurer will maintain a current list of approved brokerage firms to conduct business with the County. All financial institutions on the approved list will have a strong capital and credit base. The Treasurer will forward a copy of the County Investment Policy to all approved vendors and require written acknowledgment of the Policy from the vendor.

No broker, brokerage, dealer or securities firm can be on the approved list that has, within any consecutive 48 month period made a political contribution, in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local Treasurer, any member of the governing board of the local agency, or any candidate for those offices.

Transaction Settlement: Payment of settlement in a securities transaction will be against delivery only. A due bill or other substitution will not be acceptable. All securities purchased from the Brokers/Dealers must be held in safekeeping by the County's Safekeeping Agent or appropriate third party.

Method of Accounting:

1. Investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities.
2. Gains or losses from investment sales will be credited or charged to investment income at the time of sale.
3. Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.

4. Yield is calculated on an accrual basis using a 365 day calendar. Earnings are calculated as follows:

$$\frac{(\text{Earnings*} + \text{Capital Gains}) - (\text{Banking Cost} + \text{Fees} + \text{Amortized Premiums} + \text{Capital Losses})}{\text{Average Daily Pool Balance}}$$

* Earnings equal net interest payments + accrued interest + accreted discounts

5. The County Pool will be divided into three parts, Pool 1, Pool 2 and Pool 3. The basis for this designation will be the nature of the funds and amount of banking activity generated by the account. Funds that generate specific banking charges such as payroll, extra reporting etc. will be assigned to Pool 1, and will be charged fixed and variable banking costs as well as administrative fees before interest allocation. Pool 2 is made up of funds that do not generate excessive banking costs. Pool 2 funds are charged fixed banking costs and administrative fees. Pool 3 funds represent those funds that have only an incidental use of the county banking system and therefore only pay administrative fees.

Withdrawal Requests

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 such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Section 27136 et seq. and 27133 (h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

Internal Controls:

The Treasurer has established a system of controls designed to prevent losses of pooled funds due to fraud, employee error, misrepresentations by third parties, unanticipated changes in financial markets or imprudent actions by employees of the County. The controls include:

1. Procedures for Investment activity which include separation of transaction authority from Accounting and Operations, and requiring clear documentation of activity.
2. Custodial Safe keeping as prescribed in Government Code 53601
3. Independent Audit, both external and internal.
4. Clear delegation of Authority.
5. Written confirmations of all telephone transactions.
6. Establishment of written Ethical Standards and Rules of Behavior.

Procedures to be followed in the execution of Investment Authority:

1. All transactions are documented as to date, time, and vendor, signed by the originator and will include the following information:
 - A. Buy or Sell
 - B. Specific description of security involved (CUSIP)
 - C. Settlement date
 - D. Price
 - E. The total amount of funds involved
 - F. Delivery instructions
 - G. On non-Treasury or Agency transactions a notation will be made on the transaction ticket of competitive bids and offers
 - H. Broker/Dealer

2. This information is given to the Investment Specialist to be used as follows:
 - A. To contact the dealer to verify the information on the trade with the dealer's instructions. Any misunderstanding is clarified at that time.
 - B. To provide the County's Custodian Bank with the specifics of the pending transaction to assure a smooth settlement.
 - C. To compare with the daily custodian transaction report to assure there are no errors.
 - D. To generate the internal entries necessary for the movement of funds to complete the transaction.
 - E. To compare with the broker's confirmations when they are available.

3. At the end of the day the Investment Specialist summarizes all of the day's transactions in a "Daily Cash Flow Report" that is available the first thing on the following morning. This report includes:
 - A. A summary of all the day's investment transactions
 - B. A listing of the day's wires in and out
 - C. A listing of all state automatics and other deposits received during the day
 - D. If the pool has "Repo's" out, a statement as to the current earnings rate.
 - E. An estimate of the total anticipated clearings for the day.
 - F. A listing of the day's Treasurer's deposits and Tax receipts.

4. The Treasurer will obtain a minimum of three prices from different brokers before executing a security transaction whenever possible. Exceptions will occur with Treasuries, When Issued Securities, and New Issues. In those cases the Bloomberg screen will be printed as close to the physical transaction as possible. In the case of money market or agency paper being purchased to fill a specific maturity a best effort will be made to obtain differential bids.

5. Repurchase Agreements and Reverse Repurchase Agreements with Brokers/Dealers will be done through a "Tri-party Custodian Agreement" that has been approved in writing by the Treasurer. All Repurchase and Reverse Repurchase Agreements with Commercial Banks will be governed by a Public Securities Association (PSA) agreement that has been approved in writing by the Treasurer.

6. Confirmations resulting from securities purchased or sold under a Repurchase or Reverse Repurchase Agreement shall state the exact and complete nomenclature of the underlying securities bought or sold, as well as the term structure (i.e. maturity) of the transaction.

7. Securities on loan under the County Security Lending Program must be monitored daily by the Investment Specialist to assure the Assistant Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the Custodial Bank.

8. All transactions will be executed on a Delivery versus Pay Bases (DVP). The assets of the County shall be held in safekeeping by the County's safekeeping agent, or secured through third-party custody and safekeeping procedures. A due bill or other substitution will not be acceptable.

9. Safekeeping procedures shall be reviewed annually by the Treasurer's office and an external auditor. Surprise audits of safekeeping and custodial procedures should be conducted at least once a year.

10. Security Lending: The Custodial Bank may be authorized to lend out up to 20% of the portfolio within the guidelines of this policy.

11. Voluntary Participants will be accepted for participation in the San Mateo County pooled fund so long as they meet the following requirements:
 - A. A public agency
 - B. Domiciled in the County of San Mateo.

- C. Agree to abide by the approved San Mateo County Pooled Fund Investment Policy.
- D. Acknowledge changes to the policy annually in writing and meet the minimum balance requirements.

Agencies, whose jurisdiction includes San Mateo County but are not domiciled in San Mateo County, may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

Limits on Honoraria, Gifts and Gratuities

In accordance with California Government Code section 27133 (d) et Seq., this Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Investment Group and Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$280 per calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate State forms. Any violation must be reported to the State Fair Political Practices Commission.

SAN MATEO COUNTY INVESTMENT POOL

San Mateo County Investment Pool
Summary of Assets Held
As of March 31, 2002

<u>Participant Category</u>	<u>Amount</u>	<u>Percentage</u>
School Districts	\$774,823,113	35.5%
Cities	265,207,759	12.2%
Special Districts	78,949,309	3.6%
Bay Area Air Quality Management	66,810,925	3.1%
SMCO Trans Authority/JPB	348,309,870	16.0%
All other SMCO Funds	<u>647,337,428</u>	<u>29.6%</u>
Total	<u>\$1,746,939,186</u>	<u>100.0%</u>

<u>Type of Security</u>	<u>Carrying Value</u>	<u>Market Value*</u>	<u>Percentage</u>
Repurchase Agreements/Cash Equivalent	\$358,890,934	\$360,772,773	16.4%
Corporate Notes	592,558,280	614,501,941	20.8%
U.S. Government Agencies	755,343,434	777,550,138	35.4%
United States Treasuries	435,934,915	444,407,948	20.2%
Total	<u>\$2,142,727,563</u>	<u>\$2,197,232,800</u>	100.00%

Average Maturity = 2.3 years
Average Duration = 2.1 years

*Includes Accrued Interest

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and 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 the Beneficial owners either (a) payments of interest or principal with respect to the Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Notes, 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.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge

of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.