

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO STATE OF CALIFORNIA

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**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SAN MATEO AUTHORIZING THE ISSUANCE
AND NEGOTIATED SALE OF HILLSBOROUGH CITY SCHOOL
DISTRICT GENERAL OBLIGATION BONDS, ELECTION OF
2002, SERIES B IN THE MAXIMUM PRINCIPAL AMOUNT OF
\$30,000,000**

RESOLVED, by the Board of Supervisors of the County of San Mateo (the "Board"), that:

WHEREAS, a special bond election was duly held in the Hillsborough City School District (the "District") on November 5, 2002, under the procedures specified in Proposition 39 (Article XIII A Section 1 paragraph (b) of the California Constitution) for the purpose of submitting a bond measure to the qualified electors of the District authorizing the issuance of general obligation bonds of the District in the maximum aggregate principal amount of \$66,800,000 (the "Bonds"), and more than 55% of the votes cast at said election were in favor of the issuance of the Bonds; and

WHEREAS, Section 15140 of the Education Code of the State of California requires that general obligation bonds of the District shall be offered for sale by the Board of Supervisors of San Mateo County as soon as possible following receipt of a resolution adopted by the Board of Trustees of the District; and

WHEREAS, pursuant to the May 13, 2003 resolution of the Board, there was issued and sold on June 25, 2003, an initial series of the Bonds in the name of the District, known as the "Series 2003A Bonds," in the aggregate principal amount of \$13,500,000; and

WHEREAS, there has been filed with the Clerk of this Board a certified copy of the resolution of the Board of Trustees of the District adopted on June 21, 2006 (the "District Resolution") authorizing the issuance of an additional series of the Bonds to be designated the "Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B" (the "Series B Bonds") in the aggregate principal amount of not to exceed \$30,000,000; and

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

WHEREAS, the Board, in reliance upon the representations of the District, intends to issue and sell the Series B Bonds, in a principal amount of not to exceed

\$30,000,000, under this Resolution and in conformity with the laws of the State of California;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED:

ARTICLE I

DEFINITIONS; AUTHORITY

Section 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Series B Bond. The Accreted Value of any Capital Appreciation Bond as of any date other than a Compounding Date shall be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the yield to maturity set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

"Board" means the Board of Supervisors of the County.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, and (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

"Bond Law" means Chapter 1.5 of Part 10 of Division 1 of the California Education Code as in effect on the date of adoption hereof and as amended hereafter. As provided in Section 15266(b) of the California Education Code, the provisions of Chapter 1 of Part 10 of Division 1 of the California Education Code apply to the Series B Bonds where not inconsistent.

"Bond Purchase Agreement" means the Bond Purchase Agreement among the District, the County and the Underwriter, under which the Underwriter agrees to purchase the Series B Bonds and pay the purchase price therefor.

"Building Fund" means the fund established and held by the County Treasurer under Section 3.02.

"Capital Appreciation Bonds" means the Series B Bonds designated as such in Section 2.01, the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity as shown in the table of Accreted Value for the Capital Appreciation Bonds.

"Closing Date" means the date upon which there is an exchange of Series B Bonds for the proceeds representing the purchase price of the Series B Bonds by the Underwriter.

"Compounding Date" means, with respect to any Capital Appreciation Bond, each semiannual date on which interest on such Capital Appreciation Bond compounds, as such dates are set forth in the Bond Purchase Agreement.

"Costs of Issuance" means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Series B Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, municipal bond insurance premiums, and charges and fees in connection with the foregoing.

"County" means the County of San Mateo, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

"County Controller" means the Controller of the County, or any authorized deputy thereof.

"County Treasurer" means the Tax Collector/Treasurer of the County, or any authorized deputy thereof.

"Current Interest Bond" means all of the Series B Bonds other than the Capital Appreciation Bonds, the interest on which is payable on a current basis on each Interest Payment Date.

"Debt Service Fund" means the fund established and held by the County Treasurer under Sections 4.02 and 4.03.

"Denominational Amount" means, with respect to any Capital Appreciation Bonds, the original amount of such Capital Appreciation Bond as of the Closing Date.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the Hillsborough City School District, a school district organized under the Constitution and laws of the State of California, and any successor thereto.

"District Representative" means the Superintendent or Assistant Superintendent of the District, or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District with respect to this Resolution and the Series B Bonds.

"District Resolution" means the Resolution adopted by the Board of Trustees of the District on June 21, 2006, authorizing the issuance of the Series B Bonds and requesting the Board to issue and sell the Series B Bonds in the name of the District.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States of America.

"Information Services" means Financial Information, Inc.'s Financial Daily Called Bond Service; Standard & Poor's J.J. Kenny Information Services; Moody's Municipal and Government; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may designate in a Written Request of the District delivered to the Paying Agent.

"Interest Payment Dates" with respect to any Series B Bond means (unless otherwise provided in the Bond Purchase Agreement), March 1 and September 1 in each year during the term of such Series B Bond, commencing March 1, 2007.

"Maturity Value" means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid upon the stated maturity date thereof.

"Office" means the office or offices of the Paying Agent for the payment of the Series B Bonds and the administration of its duties hereunder. The Office may be re-designated from time to time by written notice filed with the County and the District by the Paying Agent.

"Outstanding", when used as of any particular time with reference to Series B Bonds, means all Bonds except:

- (a) Series B Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;
- (b) Series B Bonds paid or deemed to have been paid within the meaning of Section 7.03; and
- (c) Series B Bonds in lieu of or in substitution for which other Series B Bonds have been authorized, executed, issued and delivered under the District Resolution and this Resolution.

"Owner", whenever used herein with respect to a Series B Bond, means the person in whose name the ownership of such Series B Bond is registered on the Registration Books.

"Paying Agent" means the County Treasurer, who has been appointed to act as paying agent for the Series B Bonds by the District, including its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"Record Date" means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Series B Bonds under Section 2.09.

“Resolution” means this Resolution adopted by the Board on August 1, 2006, including all amendments hereto and supplements hereof which are duly adopted by the Board from time to time in accordance herewith.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District delivered to the Paying Agent.

“Series B Bonds” means the Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B at any time Outstanding under the District Resolution and this Resolution.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution, adopted by the Board in accordance with Article VI.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Underwriter” means the Stone & Youngberg LLC as the first purchaser of the Series B Bonds upon the negotiated sale thereof.

“Written Request of the District” means an instrument in writing signed by a District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authority for this Resolution. This Resolution is adopted under the provisions of the Bond Law.

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES B BONDS

Section 2.01. Authorization. The Series B Bonds are hereby authorized to be issued in the aggregate principal amount of not to exceed \$30,000,000 under and subject to the terms of the Bond Law, the District Resolution and this Resolution. The Series B Bonds shall be designated the "Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B". The provisions of this Resolution relating to payment of principal of and interest on the Series B Bonds are set forth in this Resolution solely at the request of the District for the convenience of the District in the administration of its bonds, and do not create any responsibilities for the Board beyond the express statutory requirements contained in Sections 15140, 15146 and 15250 of the California Education Code.

The Series B Bonds shall be issued in the form of Current Interest Bonds and Capital Appreciation Bonds, in such respective principal amounts and Denominational Amounts as set forth in the Bond Purchase Agreement. For purposes of determining the principal amount of the Series B Bonds which are issued hereunder, the principal amount of the Capital Appreciation Bonds shall be equal to the Denominational Amount thereof.

Section 2.02. Terms of Series B Bonds.

(a) Terms of Current Interest Bonds. The Current Interest Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Current Interest Bonds maturing in the year of maturity of the Current Interest Bond for which the denomination is specified. Current Interest Bonds shall be lettered and numbered as the Paying Agent may prescribe. The Current Interest Bonds shall be dated as of the Closing Date.

Interest on the Current Interest Bonds shall be payable semi-annually on each Interest Payment Date. Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to February 15, 2007, in which event it shall bear interest from the Closing Date. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(b) Terms of Capital Appreciation Bonds. The Capital Appreciation Bonds shall be issued in fully registered form without coupons in Maturity Values (representing both principal and interest payable at maturity) of \$5,000 or any integral multiple thereof, maturing on September 1 in each of the years and in the maturity amounts as shall be determined upon the sale thereof. Interest on the Capital Appreciation Bonds

compounds on each Compounding Date at the respective yields to maturity to be determined upon the sale thereof, and is payable solely at maturity or upon earlier redemption thereof as hereinafter provided.

Each Capital Appreciation Bond shall be dated as of the Closing Date. The Accreted Value of the Capital Appreciation Bonds and any redemption premium thereon shall be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Office of the Paying Agent. The Accreted Value of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Paying Agent.

(c) Maturities; Basis of Interest Calculation. The Series B Bonds shall mature on September 1 in the years and in the amounts, and shall bear interest at the rates, as determined upon the sale thereof and as set forth in the Bond Purchase Agreement. Interest on the Series B Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(d) CUSIP Identification Numbers. CUSIP identification numbers shall be imprinted on the Series B Bonds, but such numbers do not constitute a part of the contract evidenced by the Series B Bonds and any error or omission with respect thereto will not constitute cause for refusal of any purchaser to accept delivery of and pay for the Series B Bonds. In addition, failure on the part of the District to use such CUSIP numbers in any notice to Owners of the Series B Bonds will not constitute an event of default or any violation of the District's contract with such Owners and will not impair the effectiveness of any such notice.

(e) Payment. Interest on the Series B Bonds (including the final interest payment upon maturity or redemption) is payable by check, draft or wire of the Paying Agent mailed to the Owner thereof (which shall be DTC so long as the Bonds are held in the book-entry system of DTC) at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Series B Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Series B Bonds shall be paid on the succeeding Interest Payment Date to such account as shall be specified in such written request. Principal of and premium (if any) on the Series B Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Office of the Paying Agent.

(f) Provisions of Bond Purchase Agreement to Control. Notwithstanding the foregoing provisions of this Section 2.02 and the following provisions of Section 2.03, any of the terms of the Series B Bonds may be established or modified under the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Series B Bonds, the provisions of the Bond Purchase Agreement shall be controlling.

Section 2.03. Redemption.

(a) Optional Redemption Dates and Prices. The Series B Bonds shall be subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a

maturity, from any available source of funds, on the dates and at the respective redemption prices as are set forth in the Bond Purchase Agreement.

(b) Mandatory Sinking Fund Redemption. If the Bond Purchase Agreement specifies that any one or more maturities of the Series B Bonds are term bonds which are subject to mandatory sinking fund redemption, each such maturity of Series B Bonds shall be subject to such mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts as set forth in the Bond Purchase Agreement, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption. If any such term bonds are redeemed under the provisions of the preceding clause (a), the total amount of all future payments under this subsection (b) with respect to such term bonds shall be reduced by the aggregate principal amount of such term bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the District (written notice of which determination shall be given by the District to the County and the Paying Agent).

(c) Selection of Series B Bonds for Redemption. Whenever less than all of the Outstanding Series B Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Series B Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Current Interest Bond shall be deemed to consist of individual bonds of \$5,000 denominations each and each Capital Appreciation Bond shall be deemed to consist of individual bonds of \$5,000 Maturity Value each, which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Series B Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Series B Bonds. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at least two (2) days prior to such mailing to the Series B Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Series B Bonds are to be called for redemption, shall designate the serial numbers of the Series B Bonds to be redeemed by giving the individual number of each Series B Bond or by stating that all Series B Bonds between two stated numbers, both inclusive, or by stating that all of the Series B Bonds of one or more maturities have been called for redemption, and shall require that such Series B Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Series B Bonds will not accrue from and after the redemption date.

Upon surrender of Series B Bonds redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Series B Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount (in the case of Current Interest Bonds) or Maturity Value (in the case of Capital Appreciation Bonds) equal to the

aggregate principal amount or Maturity Value, as the case may be, of the unredeemed portion of the Series B Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series B Bonds so called for redemption have been duly provided, such Series B Bonds shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice. All Series B Bonds redeemed under this Section 2.03 shall be canceled by the Paying Agent, and a certificate or other evidence of such cancellation shall be submitted by the Paying Agent to the District.

Section 2.04. Book-Entry System.

(a) Original Delivery. The Series B Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Series B Bonds. Upon initial delivery, the ownership of each such Series B Bond shall be registered on the Registration Books in the name of Cede & Co. (the "Nominee"). Except as provided in subsection (c), the ownership of all of the Outstanding Series B Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Series B Bonds the ownership of which shall be registered in the name of the Nominee, the District and the Paying Agent shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository holds an interest in the Series B Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series B Bonds, (ii) the delivery to any Depository System Participant or any other person, other than an Owner as shown in the Registration Books, of any notice with respect to the Series B Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series B Bonds to be redeemed if the District elects to redeem the Series B Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than an Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series B Bonds or (v) any consent given or other action taken by the Depository as Owner of the Series B Bonds. The District and the Paying Agent may treat and consider the person in whose name each Series B Bond is registered as the absolute owner of such Series B Bond for the purpose of payment of principal, premium and interest on such Series B Bond, for the purpose of giving notices of redemption and other matters with respect to such Series B Bond, for the purpose of registering transfers of ownership of such Series B Bond, and for all other purposes whatsoever. The Paying Agent shall pay the principal of and interest and premium, if any, on the Series B Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Series B Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Series B Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Resolution. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has

determined to substitute a new nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Paying Agent.

(b) Transfers Outside Book-Entry System. If that either (i) the Depository determines not to continue to act as Depository for the Series B Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Paying Agent in the issuance of replacement Series B Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Series B Bonds, and by surrendering the Series B Bonds, registered in the name of the Nominee, to the Paying Agent on or before the date such replacement Series B Bonds are to be issued. The Depository, by accepting delivery of the Series B Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Series B Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Paying Agent with the names and addresses of the Participants and respective ownership interests thereof.

(c) Payments to the Nominee. Notwithstanding any other provision of this Resolution to the contrary, but subject to Section 4.06 of this Resolution, so long as any Series B Bond is registered in the name of the Nominee, all payments by the District or the Paying Agent with respect to principal of and interest and premium, if any, on such Series B Bond and all notices with respect to such Series B Bond shall be made and given, respectively, as instructed by the Depository.

Section 2.05. Form of Series B Bonds. The Series B Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution and the Bond Purchase Agreement, as are set forth in Appendix A attached hereto.

Section 2.06. Execution of Series B Bonds. The Series B Bonds shall be executed on behalf of the Board by the facsimile signature of the President of the Board of Supervisors and the manual signature of the County Treasurer, and shall be countersigned by the manual signature of the Clerk of the Board of Supervisors or by a deputy of either of said Clerk or of the County Treasurer. If any officer whose signature appears on any Series B Bond ceases to be such officer before delivery of the Series B Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Series B Bonds to the purchaser. Any Series B Bond may be signed and attested on behalf of the Board by such persons as at the actual date of the execution of such Series B Bond shall be the proper officers of the County although at the nominal date of such Series B Bond any such person shall not have been such officer of the County.

Only such Series B Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Appendix A attached hereto, executed and dated

by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Series B Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

Section 2.07. Transfer of Series B Bonds. Any Series B Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series B Bond for cancellation at the Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Series B Bond or Bonds is surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Series B Bond or Bonds, for like aggregate principal amount.

No transfers of Series B Bonds are required to be made (a) during the period established by the Paying Agent for selection of Series B Bonds for redemption or (b) with respect to a Series B Bond which has been selected for redemption.

Section 2.08. Exchange of Series B Bonds. Series B Bonds may be exchanged at the Office of the Paying Agent for a like aggregate principal amount of Series B Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Series B Bonds are required to be made (a) during the period established by the Paying Agent for selection of Series B Bonds for redemption or (b) with respect to a Series B Bond which has been selected for redemption.

Section 2.09. Registration Books. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Series B Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, 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 the Registration Books, Bonds as herein before provided.

Section 2.10. Series B Bonds Mutilated, Lost, Destroyed or Stolen. If any Series B Bond is mutilated the District, at the expense of the Owner of said Series B Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series B Bond of like maturity and principal amount in exchange and substitution for the Series B Bond so mutilated, but only upon surrender to the Paying Agent of the Series B Bond so mutilated. Every mutilated Series B Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District.

If any Series B Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and, if such evidence be satisfactory to the District and indemnity satisfactory to it is given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series B Bond of like maturity and principal amount in lieu of and in substitution for the Series B Bond so lost, destroyed or stolen.

The District may require payment of a sum not exceeding the actual cost of preparing each new Series B Bond issued under this Section and of the expenses which may be incurred by the District and the Paying Agent in the premises. Any Series B Bond issued under the provisions of this Section 2.10 in lieu of any Series B Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Series B Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Series B Bonds issued hereunder.

ARTICLE III

DELIVERY OF SERIES B BONDS; APPLICATION OF PROCEEDS

Section 3.01. Delivery of Series B Bonds. A District Representative is hereby directed to cause the Series B Bonds to be printed, signed and sealed, and to be delivered to the Underwriter upon the County Treasurer's receipt of the purchase price therefor and upon the Underwriter's performance of the conditions imposed by the District. The Paying Agent is hereby authorized to deliver the Series B Bonds to the Underwriter, upon receipt of a Written Request of the District.

Section 3.02. Application of Proceeds of Sale of Series B Bonds. The proceeds of the Series B Bonds shall be applied on the Closing Date as follows:

- (a) The portion of the proceeds representing the premium (if any) received on the sale of the Series B Bonds shall be deposited with the County Treasurer in the Debt Service Fund.
- (b) All remaining proceeds received by the County Treasurer from the sale of the Series B Bonds shall be deposited in the Building Fund to be applied as set forth in Section 3.03.

Section 3.03. Building Fund. The County Controller has previously established a fund known as the "Building Fund", into which the County Treasurer shall deposit the proceeds from the sale of the Series B Bonds, to the extent required under Section 3.02(b). The County Treasurer shall maintain separate accounting for the proceeds of the Series B Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund for the Series B Bonds shall be expended by the District solely for the financing of projects for which the Series B Bond proceeds are authorized to be expended under the ballot proposition authorizing the issuance thereof, and for payment of Costs of Issuance. All interest and other gain arising from the investment of proceeds of the Series B Bonds shall be retained in the Building Fund and used for the purposes thereof. At the Written Request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest on the Series B Bonds.

If there remain excess amounts on deposit in the Building Fund after payment in full of the Series B Bonds, any such excess amounts shall be transferred to the general

fund of the District, to be applied for the purposes for which the Series B Bonds have been authorized or otherwise in accordance with the Bond Law.

Section 3.04. Security for Bonds. The Series B Bonds are general obligations of the District, and the Board has the power to levy ad valorem taxes upon all property within the District subject to taxation without limitation of rate or amount, for the payment of the Series B Bonds and the interest and redemption premium (if any) thereon, in accordance with and subject to Sections 15250 and Section 15252 of the Bond Law.

The Board will levy ad valorem taxes, as provided in Section 15250 of the Education Code, so as to enable the District to punctually pay, or cause to be paid, the principal of and interest on the Series B Bonds, in conformity with the terms of the Series B Bonds and of this Resolution. Nothing herein contained prevents the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Section 3.05. Official Actions. All actions heretofore taken by the officers and agents of the County with respect to the sale and delivery of the Series B Bonds are hereby approved, and the County Treasurer and all other officers of the County are hereby authorized and directed for and in the name and on behalf of the Board, 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, sale and delivery of the Series B Bonds in accordance with this Resolution.

ARTICLE IV

SALE OF THE SERIES B BONDS; DEBT SERVICE FUND

Section 4.01. Sale of the Series B Bonds. Under the District Resolution, the District has requested the Board to sell the Series B Bonds to the Underwriter at negotiated sale under the Bond Purchase Agreement. The Board hereby approves such sale of the Series B Bonds to the Underwriter. The County Treasurer, or any designee thereof, is hereby authorized to execute and deliver the Bond Purchase Agreement substantially in the form on file with the Clerk of this Board of Supervisors, with such changes therein, deletions therefrom and modifications thereto as the County Treasurer or such designee may approve, such approval to be conclusively evidenced by the execution and delivery thereof. As provided in the District Resolution, the true interest cost of the Series B Bonds shall not exceed 6.50% per annum and the Underwriter's discount may not exceed 1.75% of the aggregate principal amount of the Bonds sold thereunder.

Section 4.02. Debt Service Fund. The County Controller shall create and maintain while the Series B Bonds are outstanding an interest and sinking fund for the Series B Bonds, designated the "Hillsborough City School District Series B Debt Service Fund". The Debt Service Fund shall be maintained by the County Treasurer as a separate account, distinct from all other funds of the District, into which shall be paid on receipt thereof, (i) any premium received on the sale of the Series B Bonds, and (ii) the proceeds of any taxes levied under Section 3.04.

Section 4.03. Disbursements From Debt Service Fund. The Debt Service Fund shall be administered and disbursements made in the manner set forth in this Section 4.03. Amounts on deposit in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series B Bonds as the same become due and payable, shall be transferred by the County Treasurer to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal of and interest on the Series B Bonds. DTC will thereupon make payments of principal and interest on the Series B Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Series B Bonds. Any moneys remaining in the Debt Service Fund after the Series B Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, as provided in Section 15234 of the Bond Law. As provided in Section 15232 of the Bond Law, amounts in the Debt Service Fund shall also be applied to pay the expense of paying the Series B Bonds elsewhere than at the office of the County Treasurer.

Section 4.04. Investment of Funds. All moneys held in any of the funds or accounts established with the County hereunder shall be invested in any one or more investments generally permitted to school districts under the laws of the State of California, consistent with the County investment policy. Such investments shall be made under the direction and at the discretion of the County Treasurer. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof.

Section 4.05. Official Actions. All actions heretofore taken by the officers and agents of the County with respect to the sale and delivery of the Series B Bonds are hereby approved, and the County Treasurer and all other officers of the County are hereby authorized and directed for and in the name and on behalf of the Board, 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 sale and delivery of the Series B Bonds in accordance with this Resolution.

Section 4.06. No Liability of the County. Notwithstanding anything stated to the contrary in this Resolution, (a) the Series B Bonds are not a debt of the County, including its Board, officers, officials, agents and employees, and the County, including its Board, officers, officials, agents and employees, has no obligation to repay the Series B Bonds; (b) the Board's sole responsibilities hereunder are to issue, sell and levy a tax for the repayment of the Series B Bonds, as provided in Sections 15140, 15146 and 15250, respectively, of the Education Code, and (i) neither the County, nor the Board, nor any officer, official, agent or employee of the County, shall have any obligation or liability hereunder or in connection with the transactions contemplated hereby other than as specified in said Code Sections; (ii) the Series B Bonds, including interest thereon, shall be payable solely from taxes levied by the Board under Section 15250 of the California Education Code; and (iii) the County, including its Board, officers, officials, agents and employees, shall retain all of their respective constitutional and statutory privileges, immunities, rights and defenses in carrying out their duties under this Resolution. The County makes no assurances regarding the use of the proceeds of the

Bonds, and has no responsibility and assumes no liability arising from the expenditure of such proceeds by the District.

Section 4.07. Limited Duties of County; Indemnification. The County, including its Board, officers, officials, agents and employees, shall undertake only those duties of the County under this Resolution which are specifically set forth in this Resolution, and even during the continuance of an event of the District's default with respect to the repayment of the Series B Bonds, including interest thereon, no implied covenants or obligations shall be read into this Resolution against the County, including its Board, officers, officials, agents and employees. In the Bond Purchase Agreement, the District agrees to indemnify, defend and hold harmless the County, including its Board, officers, officials, agents and employees, against the payment of any and all liabilities, losses, costs and expenses (including attorneys fees and court costs), damages and claims which the County, including its Board, officers, officials, agents and employees, may incur in the exercise and performance of its or their powers and duties hereunder which are not due to its or their negligence or bad faith.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 5.01. Events of Default. Any one or more of the following events constitute an "event of default" under this Resolution:

- (a) default by the District in the due and punctual payment of the principal of or redemption premium, if any, on any Series B Bond when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) default by the District in the due and punctual payment of any installment of interest on any Series B Bond when and as such interest installment becomes due and payable;
- (c) default by the District in the observance of any of the covenants, agreements or conditions on its part contained in this Resolution, in the District Resolution or in the Series B Bonds, and the continuation of such default for a period of 30 days after written notice thereof has been given to a District Representative; or
- (d) the filing by the District of a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Section 5.02. Remedies of Series B Bond Owners. Upon the occurrence and during the continuation of any event of default, any Series B Bond Owner has the right, for the equal benefit and protection of all Series B Bond Owners similarly situated:

- (a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution, in the District Resolution and in the Series B Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Series B Bond Owners' rights; or
- (c) by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

Section 5.03. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Series B Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Series B Bond Owners.

Section 5.04. Non-Waiver. Nothing in this Article V or in any other provision of this Resolution, or in the Series B Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Series B Bonds to the respective Owners of the Series B Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action against the District, which is also absolute and unconditional, of such Owners to institute suit against the District to enforce such payment by virtue of the contract embodied in the Series B Bonds.

A waiver of any default by any Series B Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Series B Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Series B Bond Owners by this Article V may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Series B Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Series B Bond Owners, the District and the Series B Bond Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

ARTICLE VI

AMENDMENT OF THIS RESOLUTION

Section 6.01. Amendments Without Consent of the Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Board may be adopted, which, without the requirement of consent of the Owners of the Series B Bonds, shall be fully effective in accordance with its terms:

- (a) To add covenants and agreements of the Board in this Resolution, which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (b) To add limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Board which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (c) To confirm, as further assurance, any pledge of the District under this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;
- (d) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or
- (e) To make such additions, deletions or modifications as may be necessary to assure the exclusion from gross income for purposes of federal income taxation of interest on the Series B Bonds.

The Board will adopt a Supplemental Resolution for any one or more of the foregoing purposes only at the Written Request of the District, and only if the adoption of such Supplemental Resolution is in accordance with the provisions of this Resolution.

Section 6.02. Supplemental Resolutions Effective With Consent to the Owners. Any modification or amendment of this Resolution and of the rights and obligations of the District and of the Owners of the Series B Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of a majority in aggregate principal amount of the Series B Bonds Outstanding at the time such consent is given. No such modification or amendment may permit a change in the terms of maturity of the principal of any Outstanding Series B Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or reduce the percentage of Series B Bonds the consent of the Owners of which is required to effect any such modification or amendment, or change any of the provisions in Section 5.01 hereof relating to Events of Default, or shall reduce the amount of moneys pledged by the District for the repayment of the Series B Bonds without the consent of all the Owners of such Series B Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Provisions Relating to Paying Agent.

(a) Appointment of Paying Agent. The County Treasurer has been appointed by the District for the Series B Bonds under the District Resolution. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution and in the Series B Bonds and, even during the continuance of an event of default, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the District a certificate or other agreement to that effect.

(b) Actions Through Agents. At any time that the County Treasurer is acting as Paying Agent hereunder, he or she may appoint, discharge, replace and contract with agents for payment, registration, transfer and other duties related to the bonds as the County Treasurer shall assign pursuant to provisions of general law, including Education Code Section 15232, and all such agents shall be deemed agents of, and shall serve at the pleasure of, the County Treasurer. The discharge or resignation of the Paying Agent currently acting hereunder shall not take effect for a period of 30 days, unless the County Treasurer or the replacement Paying Agent appointed by the County Treasurer shall sooner assume the duties of the Paying Agent.

(c) Resignation of Paying Agent. The Paying Agent may at any time resign by giving written notice to the District and the Bond Owners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

(d) Ownership of Bonds. The Paying Agent may become the owner of any of the Series B Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

(e) Limitation on Liability. The recitals of facts, covenants and agreements herein and in the Series B Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution, the Bond Resolution or of the Series B Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution and the Bond Resolution; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the

same to determine whether or not they conform to the requirements of the Bond Resolution.

The Paying Agent is not liable for any error of judgment made in good faith by a responsible officer unless it is proved that the Paying Agent was negligent in ascertaining the pertinent facts.

No provision of this Resolution or the Bond Resolution requires the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(f) Compensation, Indemnification. As provided in the District Resolution, the District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution.

Section 7.02. Benefits of Resolution Limited to Parties. Nothing in this Resolution, expressed or implied, is intended to give to any person other than the Board, the District, the Paying Agent, any bond insurer and the Owners of the Series B Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the District are for the sole and exclusive benefit of the Owners of the Series B Bonds.

Section 7.03. Defeasance.

(a) Manner of Defeasance. Any or all of the Series B Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (i) by paying or causing to be paid the principal or redemption price of and interest on such Series B Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 7.03(c) hereof) to pay or redeem such Series B Bonds; or
- (iii) by delivering such Series B Bonds to the Paying Agent for cancellation by it.

If the District pays all Outstanding Series B Bonds and also pays or causes to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with

the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Series B Bonds have not been surrendered for payment, this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 7.03(b). In that event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Resolution which are not required for the payment or redemption of Series B Bonds not theretofore surrendered for such payment or redemption.

(b) Discharge of Liability on Series B Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 7.03(c) hereof) to pay or redeem any Outstanding Series B Bond (whether upon or prior to its maturity or the redemption date of such Series B Bond), provided that, if such Series B Bond is to be redeemed prior to maturity, notice of such redemption is given as provided in Section 2.03(d) or provision satisfactory to the Paying Agent is made for the giving of such notice, then all liability of the District in respect of such Series B Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Series B Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 7.03(d) apply in all events.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series B Bonds, the money or securities so to be deposited or held may be held by the Paying Agent. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and shall be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Series B Bonds and all unpaid interest thereon to maturity, except that, in the case of Series B Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in Section 2.03(d) or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Series B Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series B Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series B Bonds

which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in Section 2.03(d) or provision satisfactory to the Paying Agent is made for the giving of such notice.

(d) Transfer of Funds to District After Discharge of Resolution. Any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Series B Bonds and remaining unclaimed for one (1) year after the principal of all of the Series B Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or one (1) year after the date of deposit of such moneys if deposited after said date when all of the Series B Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Series B Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Series B Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Section 7.04. Application of Provisions to Capital Appreciation Bonds. Whenever in this Resolution reference is made to the payment of the principal of and interest and premium (if any) on the Bonds, such reference includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds, unless otherwise required by the context or express provisions of such reference.

Section 7.05. Execution of Documents and Proof of Ownership by Bond Owners. Any request, declaration or other instrument which this Resolution may require or permit to be executed by Series B Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Series B Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Series B Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of the Series B Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Series B Bond shall bind all future Owners of such Series B Bond in respect of anything done or suffered to be done by the District, the Paying Agent or a District Representative in good faith and in accordance therewith.

Section 7.06. Waiver of Personal Liability. No Board member, officer, agent or employee of the Board or the District shall be individually or personally liable for the payment of the principal of or interest on the Series B Bonds.

Section 7.07. Destruction of Canceled Bonds. Whenever in this Resolution provision is made for the surrender to the District of any Series B Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Series B Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Series B Bonds therein referred to.

Section 7.08. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Resolution is for any reason held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The Board hereby declares that it would have adopted this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Series B Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in a District Representative in trust for the benefit of the Series B Bond Owners. Nothing in this Section 7.08 is intended to create, nor do the other provisions of this Resolution create, any liability or obligation of the Board or the County beyond those specifically imposed by statute, as specifically referenced in Sections 4.06 and 4.07.

Section 7.09. Effective Date of Resolution. This Resolution shall take effect from and after the date of its passage and adoption.

APPENDIX A

**FORM OF SERIES B BOND
(CURRENT INTEREST BOND)**

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
SAN MATEO COUNTY**

HILLSBOROUGH CITY SCHOOL DISTRICT
(San Mateo County, California)
**GENERAL OBLIGATION BOND,
ELECTION OF 2002, SERIES B**

INTEREST RATE: MATURITY DATE: ISSUE DATE: CUSIP:

REGISTERED OWNER:

PRINCIPAL SUM: DOLLARS

The HILLSBOROUGH CITY SCHOOL DISTRICT, a school district, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above, the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such interest payment date, or (iii) this Bond is authenticated on or prior to February 15, 2007, in which event it shall bear interest from the Issue Date stated above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable on March 1 and September 1 in each year, commencing March 1, 2007, calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal hereof is payable at the office of the Tax Collector/Treasurer of the County of San Mateo as paying agent (the "Paying Agent"), in San Mateo, California. Interest hereon (including the final interest payment upon maturity) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the 15th day of the month next preceding such interest payment

date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose.

This Bond is one of a duly authorized issue of Bonds of the District designated as "Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B" (the "Bonds"), in an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued under the provisions of Chapter 1.5 of Part 10 of Division 1 of the California Education Code of the California Education Code (the "Bond Law"), and under Resolution No. ____ of the Board of Supervisors of San Mateo County adopted August 1, 2006 (the "Resolution"), authorizing the sale of the Bonds.

The Bonds are being issued in the form of Current Interest Bonds (of which this Bond is one) in the aggregate principal amount of \$ _____ and as Capital Appreciation Bonds in the aggregate denominational amount of \$ _____, all subject to the terms and conditions of the Resolution. All capitalized terms herein shall have the same meaning as the capitalized terms in the Resolution. Reference is hereby made to the Resolution (copies of which are on file at the office of the District) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District. Subject to Education Code Section 15250, the Board of Supervisors of the County has the power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District.

The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on September 1, 20__, and on any Interest Payment Date thereafter, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) as set forth in the following table, together with accrued interest thereon to the date fixed for redemption.

Redemption Dates

Redemption Price

[If applicable:] The Bonds maturing on September 1, 20__ (the "Term Bonds") are also subject to mandatory sinking fund redemption on September 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall

be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the District with the Paying Agent.

Redemption Date
(September 1)

Principal
Amount

\$

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the District in such manner as the District in its discretion may determine; *provided, however*, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed among maturities as designated by the District.

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed affects the sufficiency of the proceedings for the redemption of such Bonds.

The County of San Mateo, including its Board, officers, officials, agents and employees: (i) are not liable for the payment of the Bonds, including the interest hereon; and (ii) shall retain all their respective constitutional and statutory privileges, immunities, rights and defenses in carrying out their duties under the Resolution.

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Mateo, California, but only in the manner and subject to the limitations provided in the Resolution, and upon

surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the County, District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Bonds to the extent set forth in the Resolution.

The District has certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that all things necessary to consummate the lawful issuance and sale of the Bonds, the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon has been signed manually by the Paying Agent.

IN WITNESS WHEREOF, the Hillsborough City School District, San Mateo County, California has caused this Hillsborough City School District (San Mateo County, California) General Obligation Bond, Election of 2002, Series B to be executed on behalf of the District and in their official capacities by the facsimile signature of the President of the Board of Supervisors of the County and the manual signature of the Tax Collector/Treasurer of the County, and to be countersigned by the manual or facsimile signature of the Clerk of the Board, and its seal to be reproduced hereon, all as of the Issue Date stated above.

**BOARD OF SUPERVISORS OF THE
COUNTY OF SAN MATEO**

By _____
President

By _____
Tax Collector/Treasurer
of the County of San Mateo

(S E A L)

ATTEST:

Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This is one of the Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B described in the within-mentioned Resolution.

Authentication Date:

TAX COLLECTOR/TREASURER OF THE
COUNTY OF SAN MATEO,
as Paying Agent

Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a qualified guarantor

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**FORM OF SERIES B BOND
(CAPITAL APPRECIATION BOND)**

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
SAN MATEO COUNTY

HILLSBOROUGH CITY SCHOOL DISTRICT
(San Mateo County, California)
**GENERAL OBLIGATION BOND,
ELECTION OF 2002, SERIES B**

**YIELD TO
MATURITY:**

MATURITY DATE:

ISSUE DATE:

CUSIP:

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

The HILLSBOROUGH CITY SCHOOL DISTRICT, a school district, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner stated above, or registered assigns, the Maturity Value stated above on the Maturity Date stated above. The Accreted Value (as such term is defined in the within-mentioned Resolution) of this Bond as of any date shall be determined in accordance with the Table of Accreted Values set forth hereon, representing the principal sum of \$ _____ per \$5,000 of Maturity Value together with interest thereon from the Dated Date stated above, compounded semiannually on _____ and _____ of each year, commencing _____, 2007 (each, a "Compounding Date"), on the basis of a 360-day year comprised of twelve 30-day months, at a rate equal to the Yield to Maturity per annum set forth above. The Accreted Value hereof and any redemption premium hereon are payable upon presentation and surrender of this Bond at the office of the Tax Collector/Treasurer of the County of San Mateo as paying agent (the "Paying Agent"), in San Mateo, California. The Accreted Value hereof and any redemption premium hereon are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent.

This Bond is one of a duly authorized issue of Bonds of the District designated as "Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B" (the "Bonds"), in an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued under the provisions of Chapter 1.5 of Part 10 of Division 1 of the California Education Code of the California Education Code (the "Bond Law"), and

under Resolution No. ____ of the Board of Supervisors of San Mateo County adopted August 1, 2006 (the "Resolution"), authorizing the sale of the Bonds.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$_____ and as Capital Appreciation Bonds (of which this Bond is one) in the aggregate denominational amount of \$_____, all subject to the terms and conditions of the Resolution. All capitalized terms herein shall have the same meaning as the capitalized terms in the Resolution. Reference is hereby made to the Resolution (copies of which are on file at the office of the District) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District. Subject to Education Code Section 15250, the Board of Supervisors of the County has the power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District.

The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on September 1, 20__, and on any Interest Payment Date thereafter, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) as set forth in the following table, together with accrued interest thereon to the date fixed for redemption.

Redemption Dates

Redemption Price

[If applicable:] The Bonds maturing on September 1, 20__ (the "Term Bonds") are also subject to mandatory sinking fund redemption on September 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the District with the Paying Agent.

Redemption Date
(September 1)

Principal
Amount

\$

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the District in such manner as the District in its discretion may determine; *provided, however*, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed among maturities as designated by the District.

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed affects the sufficiency of the proceedings for the redemption of such Bonds.

The County of San Mateo, including its Board, officers, officials, agents and employees: (i) are not liable for the payment of the Bonds, including the interest hereon; and (ii) shall retain all their respective constitutional and statutory privileges, immunities, rights and defenses in carrying out their duties under the Resolution.

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Mateo, California, but only in the manner and subject to the limitations provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the County, District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Bonds to the extent set forth in the Resolution.

The District has certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that all things necessary to consummate the lawful issuance and sale of the Bonds, the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon has been signed manually by the Paying Agent.

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**BOARD OF SUPERVISORS OF THE
COUNTY OF SAN MATEO**

By _____
President

By _____
Tax Collector/Treasurer
of the County of San Mateo

(S E A L)

ATTEST:

Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This is one of the Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2002, Series B described in the within-mentioned Resolution.

Authentication Date:

TAX COLLECTOR/TREASURER OF THE
COUNTY OF SAN MATEO,
as Paying Agent

Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a qualified guarantor

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.