



# County of Santa Cruz

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## AUDITOR-CONTROLLER'S OFFICE

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May 18, 1999

Agenda Date: May 25, 1999

Honorable Board of Supervisors  
701 Ocean Street  
Santa Cruz, CA 95060

Dear Members of the Board:

Subject: Adopt Resolution Authorizing the Annual Sale of Tax and Revenue Anticipation  
Notes for the Next Fiscal Year - 1999-2000

For the 1999-00 fiscal year, we are recommending that you Board authorize the issuance of fifteen month Tax and Revenue Anticipation Notes (TRAN) in the amount not to exceed \$60,000,000. This issuance is necessary to provide adequate working capital to pay claims of the County and Special Districts with funds on deposit in the Treasury of the County. The TRAN is required to address timing difference or lag time between the payment of claims and receiving tax distributions, reimbursements from third parties, or flow of funds from State and Federal Agencies. This TRAN also provides the necessary funds to advance property taxes under the alternative tax allocation method rather than issuing a separate TRAN.

The issuance amount recommended is being revised upward based upon the review by the County's Financial Adviser. For the 1999-00 fiscal year, we are using the services of Rutan & Tucker, Bond Counsel and Rod Gunn, Financial Adviser.

It is therefore recommended that your Board of Supervisors adopt and approve the attached Resolution and Purchase Agreement respectively. Attached is a copy of the Preliminary Official Statement, Notice of Intention to Sell, and Notice Inviting Bids.

Sincerely yours,

Gary A. Knutson  
Auditor-Controller

Recommended by

County Administrative Officer

cc:County Counsel

BOARD OF SUPERVISORS  
COUNTY OF SANTA CRUZ, CALIFORNIA

RESOLUTION PROVIDING FOR THE BORROWING OF FUNDS FOR  
FISCAL YEAR 1999-2000 AND THE ISSUANCE AND SALE OF  
1999-2000 TAX AND REVENUE ANTICIPATION NOTES THEREFOR

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

Upon motion of Supervisor \_\_\_\_\_, duly seconded by  
Supervisor \_\_\_\_\_, the following resolution is adopted:

WHEREAS, pursuant to Sections 53850 et seq. of the California Government Code (the "Government Code") (being Article 7.6 Chapter 4, Part 1, Division 2, Title 5 of the Government Code), this Board of Supervisors (the "Board") has found and determined that a sum not in excess of Sixty Million Dollars (\$60,000,000) is needed for the requirements of the County of Santa Cruz (the "County") to satisfy obligations payable from the General Fund of the County, and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other monies of the County to be received for or accrued to the General Fund of the County during or allocable to Fiscal Year 1999-2000; and

WHEREAS, the County intends to borrow, for the purposes set forth above, not in excess of Sixty Million Dollars (\$60,000,000) by the issuance of the Notes, as hereinafter defined; and

WHEREAS, it appears, and the Board hereby finds and determines, that said sum not in excess of Sixty Million Dollars (\$60,000,000) when added to the estimated interest payable thereon, does not exceed eighty-five per cent (85%) of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other monies of the County to be received for or accrued to the General Fund of the County during or allocable to Fiscal Year 1999-2000, and available for the payment of the principal of said Notes and the interest thereon ("Unrestricted Revenues"); and

WHEREAS, no money has heretofore been borrowed by the County through the issuance of any temporary notes in anticipation of the receipt of, or payable or secured by, taxes, income, revenue, cash receipts or other monies of the County received or accrued during or allocable to Fiscal Year 1999-2000; and

WHEREAS, pursuant to Government Code Section 53856 certain monies of the County which will be received for or accrued to the General Fund during or allocable to Fiscal Year 1999-2000 can be pledged for the payment of the principal of said Notes and the interest thereon (as hereinafter provided); and

NOW, THEREFORE, the Board hereby finds, determines, declares and resolves as follows:

Section 1. All of the above recitals are true and correct, and the Board so finds and determines.

Section 2. Solely for the purpose of anticipating taxes,, income, revenue, cash receipts, and other monies of the County to be received for or accrued to the County's General Fund during or allocable to Fiscal Year 1999-2000, and not pursuant to any common plan of financing, the County hereby determines to and shall borrow an aggregate principal amount not in excess of Sixty Million Dollars (\$60,000,000) by the issuance of temporary notes under Sections 53850 et seq. of the California Government Code (designated "County of Santa Cruz, California, 1999-2000 Tax and Revenue Anticipation Notes" ("Notes"). The Auditor-Controller of the County ("Auditor") upon consultation with Rutan & Tucker, LLP ("Bond Counsel"), is hereby authorized to determine the aggregate principal amount of the Notes to be issued, which sum shall not exceed Sixty Million Dollars (\$60,000,000) or such lesser amount upon which Bond Counsel will deliver an approving opinion as to the exclusion from gross income for federal income tax purposes of interest on the Notes. The Notes are to be numbered from one consecutively upward in order of issuance, to be in the denominations of \$5,000, or integral multiples thereof, as determined by the Auditor-Controller or the Treasurer and Tax Collector; to be dated the date of delivery thereof; to mature (without option of prior redemption) not less than 12 nor more than 15 months after their date of issue; and to bear interest, payable at maturity (provided that Notes which mature more than 12 months after their date of issuance shall provide for the payment of interest thereon on June 30, 2000 as well as at maturity) and computed on a 30-day month/360 day year basis, at the rate or rates determined at the time of sale thereof, but not in excess of twelve percent (12%) per annum.

Both the principal of and interest on the Notes shall be payable, only upon surrender thereof (provided that Notes which mature more than 12 months after their date of issuance shall provide for the payment of interest thereon on June 30, 2000 as well as on the surrender thereof), in lawful money of the United States of America at the principal office of the Fiscal Agent, as defined herein. The Treasurer and Tax Collector of the County is authorized to act as the fiscal agent, dissemination agent and/or presentation agent (the "Fiscal Agent") in connection with the Notes and the County may appoint an agent or other third party to perform any or all of such duties.

Section 3. The Notes shall be issued in registered form without coupons and shall be substantially in the form and substance set forth in Exhibit "A" attached hereto and by this reference incorporated herein. The blanks in said form shall be filled in with appropriate words and figures to comply with the provisions of this resolution.

Section 4.

a. The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (hereinafter Cede & Co. and The Depository Trust Company are referred to collectively as "DTC"). Registered ownership of the Notes, or and portion thereof, may not thereafter be transferred except as set forth in Section 4(b).

b. The Notes shall be initially issued and registered as provided in Section 4(a) hereof. Registered ownership of such Notes, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of DTC, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (b) ("Substitute Depository"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

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

(iii) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Treasurer to discontinue using a depository.

c. In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section 4, upon receipt of all outstanding Notes by the Treasurer, together with a written directive of the Treasurer designating the Substitute Depository, a new Note or Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be, all as specified in such written directive of the Treasurer. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section 4, upon receipt of all outstanding Notes by the Treasurer, together with a written directive of the Treasurer, new Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written directive of the Treasurer, subject to the limitations of Section 4 hereof.

d. The County shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of the Resolution and for purposes of payment of principal and interest on such Note, notwithstanding any notice to the contrary received by the County; and the County shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes. The County shall not have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or any Substitute Depository or its successor), except to the registered owner of any Notes, and the County may rely conclusively on its records as to the identity of the registered owners of the Notes.

e. Notwithstanding any other provision of this Resolution and so long as all outstanding Notes are registered in the name of DTC or its registered assigns, the County shall cooperate with DTC, as sole registered owner, and its registered assigns in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the letter of representations, the provisions of which the County may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

f. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section 4, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in authorized denominations, upon the books required to be kept by the County pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the County.

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

g. The County will keep or cause to be kept, sufficient books for the registration and transfer of the Notes which shall during business hours with prior notice be open to inspection by the County. Upon presentation for such purpose, the County shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

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

i. All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the County, shall be delivered to the Treasurer and shall be promptly cancelled by him/her. The County may at any time cancel any Notes previously authenticated and delivered hereunder which the County may have acquired in any manner whatsoever. No Note shall be authenticated in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the County shall be destroyed.

#### Section 5.

a. The Notes will be offered for public sale by the Auditor on behalf of the County at the time and place and upon the terms provided in the Notice Inviting Bids of the Notes which Notice Inviting Bids is substantially in the form attached hereto as Exhibit "B." The Board hereby ratifies, confirms and approves the conduct of said sale in all respects.

b. The Board hereby finds and determines that the aggregate principal amount of the Notes, together with interest thereon at any rate not to exceed twelve percent (12%) per annum, does not exceed eighty five percent (85%) of the estimated amount of the now uncollected taxes, income, revenue, cash receipts and other monies of the County which are pledged and will be available for the payment of the principal of and the interest on the Notes.

c. The Auditor is hereby authorized and directed for and on behalf of the County to award sale of the Notes within 24 hours of the receipt of bids to the responsible bidders offering the lowest net interest cost to the County, all as determined by the Auditor.

d. All bids except the bids accepted pursuant to Section 5 hereof are hereby rejected and the Auditor is hereby directed to return to the unsuccessful bidders their several checks (if any) accompanying their respective bids.

Section 6. The proceeds of the sale of the Notes, together with earnings thereon, shall be deposited as received in a special fund designated as "1999-2000 Tax and Revenue Anticipation Note Proceeds Fund" (the "Proceeds Fund").

Amounts held in the Proceeds Fund shall be invested as permitted by Section 53601 except subsections (i) (to the extent that subsection (i) applies to reverse repurchase agreements) or (m) of the said Section 53601; provided that no such investments shall have a maturity later than the date that it is anticipated that such amounts will be required to be expended and such amounts shall not be commingled with any other funds of the County.

Amounts in the Proceeds Fund shall be withdrawn and expended by the County for any purpose for which the County is authorized to expend funds from the General Fund of the County, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that such other funds are not then available. If on the date that is six months from the date of issuance of the Notes, amounts previously withdrawn from the Proceeds Fund do not exceed ninety percent (90%) of the sum of the principal amount of the Notes plus investment earnings thereon, the County shall promptly notify Bond Counsel and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). If on the date that is six months from the date of issuance of the Notes amounts previously withdrawn from the Proceeds Fund exceed ninety percent (90%) of the sum of the principal amount of the Notes plus investment earnings thereon, the County may transfer all amounts on deposit in the Proceeds Fund to the General Fund to be used and expended by the County for any purpose for which it is authorized to expend funds from the General Fund of the County.

Section 7.

a. The principal of and interest on the Notes shall be payable from Unrestricted Revenues.

b. As security for the payment of the principal of and interest on the Notes, the County hereby pledges to deposit in trust in a special fund designated as the "1999-2000 Tax and

Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") received by the County in the months, dates and amounts set forth in the Notes, together with an amount sufficient (net of earnings on monies in the Repayment Fund) to satisfy and make up any deficiency in the amount deposited in the Repayment Fund with respect to the prior accounting period. The amounts pledged by the County for deposit into the Repayment Fund from Unrestricted Revenues received during each indicated accounting period are hereinafter called the "Pledged Revenues."

c. In the event that there have been insufficient Unrestricted Revenues received by the County by the ending date of any accounting period to permit the deposit into the Repayment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such accounting period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up on such ending date from any other monies of the County lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Monies") or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Monies are received by the County.

#### Section 8.

a. The Pledged Revenues with respect to the accounting period in which received shall be deposited in the Repayment Fund on or before the ending date of each respective accounting period, and applied as directed in this Resolution. The Other Pledged Monies, if any, shall be deposited in the Repayment Fund on the ending date of the accounting period, and on each business day thereafter, until the full amount of the monies required by Section 7(b) has been so deposited in the Repayment Fund. The principal of and interest (provided that Notes which mature more than 12 months after their Delivery Date shall provide for the payment of interest thereon on June 30, 2000 as well as at maturity) on the Notes shall constitute a first lien and charge on, and shall be payable from, monies in the Repayment Fund. The Repayment Fund shall be held by the Treasurer of the County (the "Treasurer"). If on the date that is six months from the date of issuance of the Notes, amounts previously withdrawn from the Proceeds Fund do not exceed ninety percent (90%) of the sum of the principal amount of the Notes plus investment earnings thereon, the amounts to be deposited in the Repayment Fund during the accounting periods in which received shall be deposited as soon as received. Monies in the Repayment Fund shall be applied only as hereinafter in this Section 8 provided.

b. The Treasurer shall arrange for the transfer to DTC or the registered owner as described in Section 4 on the maturity date of the Notes of an amount in immediately available funds sufficient to pay the principal of and interest (provided that Notes which mature more than 12 months after their Delivery Date shall provide for the payment of interest thereon on June 30, 2000



as well as at maturity) on the Notes. Any monies remaining in the Repayment Fund after such transfer, or after provision for such transfer has been made, shall be transferred to the General Fund of the County.

c. Monies in the Repayment Fund shall be invested as permitted by Section 53601 of the Government Code, provided that no monies shall be invested in investments permitted by subsections (i) (to the extent that subsection (i) applies to reverse repurchase agreements), or (m) of said Section 53601, and no such investments shall have a maturity date later than the maturity date of the Notes. The proceeds of any such investments shall be retained by the Treasurer in the Repayment Fund until all of the Notes have been fully paid or until provision has been made for the payment of the principal of the Notes and the interest thereon to maturity, at which time any excess amount shall be transferred to the General Fund of the County.

Section 9. The County shall establish and maintain a fund, separate from any other fund established and maintained hereunder, designated as the "1999-2000 Tax and Revenue Anticipation Note Rebate Fund," and within such Fund there shall be established and maintained two separate sub-accounts designated as the "Excess Account" and the "Earnings Account." There shall be deposited in each sub-account of the Rebate Fund such amounts as are required to be deposited therein in accordance with written instructions from Bond Counsel pursuant to Section 6 hereof.

Section 10.

a. The Notes will be issued by a book-entry system with no physical distribution of Notes made to the owners. DTC, New York, New York will act as depository for the Notes. The Notes shall be initially delivered in the form of a separate single fully registered Note (which may be typewritten). Upon initial delivery, the ownership of each such Note shall be registered in the name of Cede & Co., as nominee of DTC. The County shall have no responsibility or obligation to any participant in DTC's book-entry system (the "Participant") or to any person on behalf of which such a Participant holds an interest in the Notes.

b. In order to qualify the Notes for DTC's book-entry system, the officers or designees of the County are hereby authorized to execute and deliver to DTC a "Representation Letter" from the County representing such matters as shall be necessary to so qualify the Notes. In addition to the execution and delivery of the Representation Letter, a County representative is hereby authorized to take any other actions, not inconsistent with this resolution, to qualify the Notes for DTC's book-entry program.

Section 11. The Auditor or one or more deputies to the Auditor are hereby authorized to execute the Notes by use of a facsimile signature, and the Chief Deputy Clerk of the Board of Supervisors of the County is hereby authorized to countersign, by

facsimile signature, the Notes and to affix the seal of the Board thereto by facsimile imprinting thereon. The Auditor is further authorized to cause the blank spaces in Exhibit A to be filled in as may be appropriate and to deliver the Notes to the Underwriter in accordance with the terms and provisions of the Notice Inviting Bids. The Notes shall not be valid, however, unless and until the Treasurer shall manually have authenticated the Notes.

Section 12. The form of the Preliminary Official Statement and the Notice Inviting Bids relating to the Notes, in substantially the form presented to this meeting, is hereby approved with such additions, changes and corrections as the Auditor may approve upon consultation with the Bond Counsel. Rod Gunn Associates, Inc. (the "Financial Advisor") is hereby authorized to distribute such Preliminary Official Statement and Notice Inviting Bids to the potential purchasers of the Notes and is hereby authorized and directed to deliver such Official Statement in final form to the purchasers of the Notes. The Auditor is authorized to certify to the Financial Advisor on behalf of the County that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (the "Rule") promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Auditor, Treasurer, or their designee are hereby authorized to sign and authorize distribution of the Official Statement in substantially the form of the Preliminary Official Statement.

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

Section 14.

a. The County covenants that it shall make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury, shall segregate and set aside from lawfully available sources the amount such calculations may indicate may be required to be paid to the United States Treasury and shall otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel referred to in Section 6 hereof, to assure that interest paid on the Notes shall (i) be excluded from gross income for federal income tax purposes and (ii) be exempt from California personal income taxation. As part of the performance of the

covenant contained in the preceding sentence, promptly after six months from the date of the issuance of the Notes, the County will reasonably and prudently calculate the amount of the Note proceeds which have been expended, with a view to determining whether or not the County has met the safe harbor requirements of Section 148(f) (4) (B) (iii) of the Code with respect to the Notes, and if it has not met such safe harbor requirements, it will reasonably and prudently calculate the amount, if any, of investment profits which must be rebated to the United States and will immediately set aside, from revenues attributable to the 1994-95 Fiscal Year or, to the extent not available from such revenues, from any other monies lawfully available, the amount of any such rebate in the Fund referred to in Section 9 hereof.

b. Notwithstanding any other provision of this Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the covenants contained in this Section 13, no one other than the owners or former owners of the Notes shall be entitled to exercise any right or remedy under this Resolution on the basis of the County's failure to observe, or refusal to comply with, such covenants.

c. The covenants contained in this Section 14 and in Section 9 hereof shall survive the payment of the Notes.

Section 15. The County hereby directs and authorizes the payment by the Treasurer of the interest on and principal of the Notes when such become due and payable, from an account held by the Treasurer in the name of the County in the manner set forth herein. The County hereby covenants to deposit funds in such account at the times and in the amounts specified herein to provide sufficient monies to pay the principal of and interest on the Notes on the day on which they mature. Payment of the Notes shall be in accordance with the terms of the Notes and this Resolution.

The Treasurer is also appointed as registrar and hereby is directed to initially authenticate Notes or upon the request of any owner for the transfer or exchange of Notes in accordance with the provisions hereof.

Section 16. All actions heretofore taken by County officers and agents or by this Board with respect to sale and issuance of the Notes are hereby approved, confirmed and ratified, and the County officers and agents and this Board are hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things, and take any and all actions, and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution.

Section 17. The Auditor is hereby authorized and directed to establish the final terms and conditions including amounts, maturities, discounts, premiums, and interest rate(s) on the Notes

and to cause notices of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt Advisory Commission Pursuant to Section 8855 of the Government Code.

Section 18. The provisions of the Notes and of this Resolution shall constitute a contract between the County and the owners of the Notes, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrevocable.

Section 19. At any time or from time to time, the County may adopt one or more Supplemental Resolutions without the necessity for consent of the registered owners of the Notes for any one or more of the following purposes:

(1) to add to covenants and agreements of the County in the Resolution, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(2) to add to limitations and restrictions in the Resolution, other limitations and provisions to be observed by the County which are not materially contrary to or inconsistent with the Resolution as theretofore in effect;

(3) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of any monies, securities or funds, or to establish any additional funds or accounts to be held under the Resolution;

(4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(5) to amend or supplement the Resolution in any other respect;

provided, however, that any such Supplemental Resolution does not adversely affect the interests of the registered owners of the Notes.

Any modifications or amendment of the Resolution and of the rights and obligations of County and the registered owners of the Notes may be made by a Supplemental Resolution, with the written consent of the registered owners of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Notes remain outstanding, the consent of the registered owners of such Notes shall not be required. No such modification or amendment shall permit a change in the terms of, or maturity of the principal of,

any Notes or the payment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon or a change in the date or amounts of the pledge set forth in the Resolution without the consent of the registered owners of such Notes, or shall reduce the percentage of the Notes, the consent of the registered owners of which is required to effect any such modification or amendment.

Section 20. Continuing Disclosure.

(A) The County covenants with the beneficial owners of the Notes that it will, and hereby authorizes its appropriate officers and employees to provide, in a timely manner, to the Municipal Securities Rulemaking board (the "MSRB") or each nationally recognized municipal securities information repository and to any California information depository for the benefit of the beneficial owners of the Notes, notice of any of the following events with respect to the Notes, if material:

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

Notwithstanding any other provision herein, failure of the County to perform in accordance with this Section 20(A) shall not constitute a default under this Resolution and may be enforced only as provided in this Section 20.

(B) Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the affected Notes.

(C) The County represents that as of the date hereof it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b) (5) (i) of the Rule.

(D) (1) This Section may be amended by the County without the consent of the holders of the Notes (except to the extent required under clause (4) below), if all of the following conditions are satisfied: (1) such amendment is made in connection

with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby, (2) this Section as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as **any** change in circumstances, (3) the County shall have obtained an opinion of Special Counsel, **addressed** to the County, to the same effect as set forth in clause (2) above, (4) either (i) the County shall have obtained an opinion of Special Counsel or a determination by a person, in each case unaffiliated with the County (such as Special Counsel or the County) and acceptable to the County, addressed to the County, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Section pursuant to the same procedures as are otherwise required for amendments, and (5) the County shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID, if any.

(2) In addition to subsection (D)(1) above, this Section may be amended and any provision of this Section may be waived by the County without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Section which is applicable to this Section, (2) the County shall have delivered an opinion of Special Counsel, addressed to the County, to the effect that performance by the County under this Section as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the County shall have delivered copies of such opinion and amendment to each NRMSIR and the SID, if any.

(E) (1) the provisions of this Section shall inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of the Notes shall be third-party beneficiaries of this Resolution.

(2) Except as provided in this subsection (E)(2), the provisions of this Section shall create no rights in any person or entity. The obligations of the County to comply with the provisions of this Section shall be enforceable in the case of enforcement of obligations to provide notices, by any Registered Owner of outstanding Notes, or by the Fiscal Agent and Trustee on behalf of the Registered Owners of outstanding Notes; **provided, however,** that the Fiscal Agent shall not be required to take any enforcement action except at the direction of the Registered Owners of not less than a majority in aggregate principal amount of the Notes at the time outstanding who shall have provided the Fiscal Agent with adequate security and indemnity. The Registered Owners' rights to enforce the provisions of this Section shall be limited solely to a right, by action in mandamus or for specific

performance, to compel performance of the County's obligations under this Section. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (1) of this Section, beneficial owners shall be deemed to be Registered Owners of Notes for purposes of this subsection (B).

(F) For the purposes of this Resolution, unless the context otherwise requires, the terms defined in this Subsection shall, for all purposes of this Resolution, have the meanings specified herein:

**"Material Event"** means any of the events with respect to the Notes, set forth in Section (9) (A) above.

**"Material Event Notice"** means notice of a Material Event.

**"MSRB"** means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

**"NRMSIR"** means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Resolution are Bloomberg Municipal Repositories, DPC Data Inc., Kenny Information Systems, Inc., and Thomson NRMSIR.

**"Register"** means the book or books of registration kept by the Registrar in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

**"Registered Owner"** means the Person in whose name a Note is registered on the Register.

**"Registrar"** means the Fiscal Agent, or a substitute Registrar.

**"SID"** means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State of California for the purposes referred to in the Rule. As of the date of this Resolution, there is no SID.

**"Special Counsel"** means an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and tax-exempt nature of interest on, obligations issued by states and their political subdivisions.

Section 21. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 25th day of May 1999, by the following vote:

AYES:

NOES:

ABSENT:

---

Chairperson of the Board of Supervisors  
for the County of Santa Cruz

(SEAL)

ATTEST:

---

Chief-Deputy Clerk of the  
Board of Supervisors of the  
County of Santa Cruz

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP  
Bond Counsel



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COUNTY OF SANTA CRUZ, CALIFORNIA,  
1999-2000 TAX AND REVENUE ANTICIPATION NOTE

Registered  
No. R-1

Registered  
\$ \_\_\_\_\_

Note Date: \_\_\_\_\_, 1999

Maturity Date: \_\_\_\_\_, 2000

Rate of Interest: \_\_\_\_\_%

CUSIP: \_\_\_\_\_

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ Million Dollars (\$ \_\_\_\_\_)

FOR VALUE RECEIVED, the County of Santa Cruz ("County"), California, acknowledges itself indebted to and promises to pay to the registered owner identified above, or its registered assigns, at the office of the County Treasurer/Tax Collector (the "Paying Agent") in Santa Cruz, California, the principal amount identified above in lawful money of the United States of America, on July \_\_, 1999, together with interest thereon at the rate of interest per annum set forth above, computed upon the basis of a 360-day year, consisting of twelve 30-day months, in like lawful money from the Note Date specified above until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only to the registered owner hereof upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

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

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes entitled "County of Santa Cruz, California, 1999-2000 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of \_\_\_\_\_ Million Dollars (\$ \_\_\_\_\_), all of like tenor, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County (the "Resolution"), under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code,

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

The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other monies, which are received by the County for the General Fund of the County for the fiscal year 1999-2000 and which are generally available for the payment of current expenses and other obligations of the County ("Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes, the County hereby pledges to deposit in trust in a special fund designated as the "1999-2000 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") the following: (i) from the first amounts of Unrestricted Revenues received by the County during the accounting period ending April 30, 2000, \$\_\_\_\_\_ together with an amount sufficient to satisfy and make up for any deficiency in the amount deposited in the Repayment Fund with respect to the prior accounting period; (ii) from the first amounts of Unrestricted Revenues received by the County during the accounting period ending May 31, 2000, \$\_\_\_\_\_ together with an amount sufficient to satisfy and make up for any deficiency in the amount deposited in the Repayment Fund with respect to the prior accounting period; and (iii) from the first amounts of Unrestricted Revenues received by the County during the accounting period ending June 30, 2000, \$\_\_\_\_\_, together with an amount sufficient (net of earnings on monies in the Repayment Fund) (x) to satisfy and make up any deficiency in the Repayment Fund with respect to the prior accounting period and (y) to pay interest on the Notes which mature more than twelve (12) months after the Delivery Date on June 30, 2000 and then at maturity. The amounts pledged by the County for deposit into the Repayment Fund from Unrestricted Revenues received during each indicated accounting period are hereinafter called the "Pledged Revenues."

In the event that insufficient Unrestricted Revenues have been received by the County by the ending date of any accounting period to permit deposit into the Repayment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such accounting period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up on such ending date from any other monies of the County lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Government Code Sections 53856 and 53857) (the "Other Pledged Monies") or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Monies are received by the County.

The Pledged Revenues with respect to the accounting period in which received shall be deposited in the Repayment Fund on or

before the ending date of each respective accounting period, and applied as directed in the Resolution. Other Pledged Monies, if any, shall be deposited in the Repayment Fund on the ending date of the accounting period, and on each business day thereafter, until the full amount of the monies required by the second preceding paragraph has been so deposited in the Repayment Fund. The principal and interest on the Notes shall constitute a first lien and charge on, and shall be payable from, monies in the Repayment Fund.

This Note is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent in Santa Cruz, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange therefor.

The County and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes whatsoever and neither the County nor the Paying Agent shall be affected by any notice to the contrary.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Paying Agent.

IN WITNESS WHEREOF, the County of Santa Cruz has caused this Note to be executed by the manual signature of the Auditor-Controller of the County and countersigned by the facsimile signature of the Chief Deputy Clerk of the Board of Supervisors of the County, and caused a facsimile of the official seal of its Board of Supervisors to be imprinted hereon this \_\_\_\_ day of July, 1999.

## COUNTY OF SANTA CRUZ

By \_\_\_\_\_  
Gary A. Knutson  
Auditor-Controller

(Seal)

Countersigned:

\_\_\_\_\_  
Susan Rozario, Chief Deputy Clerk  
of the Board of Supervisors

## NOTICE OF INTENTION TO SELL

**\$57,000,000** (APPROXIMATE)COUNTY OF SANTA CRUZ, CALIFORNIA  
1999-2000 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN, pursuant to California Government Code Section 53692, that the County of Santa Cruz, California, intends to sell \$57,000,000 approximate principal amount of its 1999-2000 Tax and Revenue Anticipation Notes, at public sale. Sealed bids will be received on:

Wednesday, June 16, 1999

at 10:00 a.m., Pacific Daylight Savings Time, at the offices of Rod Gunn Associates, Inc., 3010 Old Ranch Parkway, Suite 330, Seal Beach, California 90740, telephone (562) 598-7677. The Notice Inviting Bids and the Preliminary Official Statement pertaining to the Notes are being prepared and may be obtained from Rod GUM Associates, Inc. at the address and telephone number listed above.

Dated: May 25, 1999

Gary Knutson  
Auditor-Controller  
County of Santa Cruz, California

## NOTICE INVITING BIDS

**\$57,000,000**COUNTY OF SANTA CRUZ, CALIFORNIA  
1999-2000 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN that sealed bids for the purchase of \$57,000,000 aggregate principal amount of the County of Santa Cruz, California 1999-2000 Tax and Revenue Anticipation Notes (the "Notes" herein) will be received and opened by a representative of the County of Santa Cruz, California, (herein the "County") at the place and up to the time below specified. Bids will be accepted via facsimile (see "**FORM OF BIDS**" herein). No bid check is required to be submitted with the bid (see "**BID CHECK**" herein).

**TIME:** 10:00 a.m. (Pacific Daylight Savings Time), Wednesday, June 16, 1999

**PLACE:** Rod GUM Associates, Inc. Telephone (562) 598-7677  
3010 Old Ranch Parkway, Suite 330 Facsimile (562) 43 1-5446  
Seal Beach, CA 90740

**OPENING OF BIDS AND AWARD OF NOTES:** The bids will be opened at 10:00 a.m., Wednesday, June 16, 1999 at the above-stated location and are expected to be awarded by a representative of the County later that same day.

**OFFICIAL STATEMENT:** The County has caused a preliminary official statement to be prepared relating to the Notes (the "Preliminary Official Statement"), copies of which may be obtained at the office of the County's Financing Consultant, Rod GUM Associates, Inc., 3010 Old Ranch Parkway, Suite 330, Seal Beach, California 90740, telephone (562) 598-7677. The Preliminary Official Statement is in a form deemed final by the County for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final official statement (the "Official Statement"). The County will furnish the successful bidder with a reasonable number of copies of the final Official Statement within seven (7) business days of award of the Notes without charge.

## THE NOTES

**DATE ; DENOMINATION:** The Notes are to be delivered as a single fully registered Note in the denomination of \$57,000,000 dated as of July 8, 1999. When delivered, the Notes will be registered in the name of the Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Notes. Individual purchases of Notes will be made in book-entry form only in the principal amounts of \$5,000 each or any integral thereof. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. Bidders are referred to the Preliminary Official Statement for particulars related to the Notes.

**MATURITY:** The Notes will mature on October 7, 2000.

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

**INTEREST:** The Notes will bear interest (computed on the basis of a 360-day year of twelve 30day months) from their date at the rate or rates to be fixed upon the sale thereof, but not to exceed 12% per annum.

**PAYMENT:** Principal of and interest on the Notes at maturity will be paid at maturity by the Paying Agent to DTC which will credit the account of the successful bidder as a participant in the DTC system. Interest on the Notes will be payable on June 30, 2000 and at maturity.

**PURPOSE:** Issuance of the Notes will provide moneys to help meet current 1999/00 General Fund expenditures for the fiscal year of the County ending June 30, 2000, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

**SECURITY:** The Notes are authorized to be issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5, Sections 53850 et seq. of the Government Code of the State of California (the "Government Code") and Resolution No. \_\_\_\_\_ adopted by the County authorizing the issuance thereof.

Payment of the principal of and interest on the Notes is secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County (the "Unrestricted Revenues") in the months ending April 30, 2000, May 31, 2000 and June 30, 2000, and as more particularly described in the Preliminary Official Statement. Accordingly, pursuant to Section 53856 of the Government Code, the Notes and the interest thereon are a lien and charge against, and are payable from, such pledged moneys. In addition to such pledged moneys, pursuant to Section 53857 of the Government Code, the Notes and the interest thereon are general obligations of the County payable from the taxes, income, revenue, cash receipts and other moneys of the County attributable solely to fiscal year 1999/00 and legally available for payment thereof.

In accordance with the terms of the Resolution, the Treasurer is required to establish the 1999-2000 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund"), and to deposit into the Repayment Fund the moneys pledged for the payment of the Notes. Moneys in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. The Resolution provides that such amounts may not be used for any other purposes, although they may be invested as permitted by the Government Code. Any balance in the Repayment Fund after the Notes and the interest thereon have been paid, or provision for such payment has been made, will be transferred to the County's General Fund.

Bidders are referred to the Preliminary Official Statement for further particulars related to the Notes.

## TERMS OF SALE

**STATED INTEREST RATE:** The stated interest rate bid for the Notes may not exceed twelve percent (12%) per annum. Bidders must specify the rate of interest which shall be payable with respect to the Notes strictly in accordance with the following conditions:

- (i) The interest rate specified in any bid must be in a multiple of one-twentieth of one percent (1/20%) or one-eighth of one percent (1/8%) per annum;
- (ii) The Notes shall not bear more than one rate of interest;
- (iii) Interest with respect to the Notes shall be computed from their date to their stated maturity date at the interest rate specified in the bid; and
- (iv) Any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the cancellation or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price.

**AWARD:** The Notes will be sold for cash only. All bids must be for not less than all of the Notes hereby offered for sale and each bid shall state the total price offered for the Notes, the premium, if any, and the interest rate (which shall not exceed those specified herein) at which the bidder offers to buy the Notes.

**HIGHEST BIDDER:** The Notes will be awarded to the highest responsible bidder with the lowest net interest cost, considering the interest rate specified and the premium offered, if any. No bid for less than par will be accepted.

**RIGHT OF REJECTION:** The County reserves the right, in its discretion, to reject any and all bids and, to the extent not prohibited by law, to waive any irregularity or informality in any bid.

**PROMPT AWARD:** The County will take action awarding the Notes or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids; provided that the award may be made after the expiration of the specified time if the bidder shall not have given the County notice in writing of the withdrawal of such bid.

**DELIVERY OF OFFICIAL STATEMENT:** The County will furnish the successful bidder with a reasonable number of copies of the final Official Statement within seven (7) business days after award of the Notes, without charge.

**PLACE OF DELIVERY:** Delivery of the Notes will be made to DTC for the account of the successful bidder. Payment for the Notes shall be made in cash or Federal Reserve Bank funds which are immediately available to the County.

**PROMPT DELIVERY; CANCELLATION FOR LATE DELIVERY:** It is expected that the Notes will be delivered to the successful bidder on or about July 8, 1999. The successful bidder shall have the right, at its option, to cancel the contract of purchase if the County shall fail to cause the Trustee to execute the Notes and tender them for delivery within sixty (60) days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the check (if any) accompanying its bid.

**LIST ACCOUNT MEMBERS:** Bidders are requested to list in the place and in the manner set forth in the Bid Form the members of the bidding group on whose behalf the bid is made. The apparent winning bidder will be required to verify such list or to provide an updated list via facsimile prior to the award of the bids.

**FORM OF BID:** Each bid must be unconditional and in accordance with the terms and conditions set forth herein, or permitted herein, and must be submitted on, or in substantial accordance with, bid forms provided by the County. **Bids will only be accepted via Facsimile. Bid forms should be sent via facsimile to Rod Gunn Associates, Inc. at (562) 431-5446, and must be time-stamped by the receiving facsimile machine no later than 10:00 a.m. (Pacific Daylight Savings Time) on Wednesday, June 16, 1999. Telephone confirmation of the receipt of the bid form is suggested and may be made at Rod Gunn Associates, Inc. (562) 598-7677. All responsibility for any delay in receipt of the bid form or illegibility of the bid form received caused by this method of transmission will be that of the bidder. The authorized representative of the County has the right and responsibility to reject a bid if it is not received and confirmed at the place and time, in legible form, and in the manner described herein.**

**BID CHECK:** No bid check is required with submittal of the bid.

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Notes are tendered for delivery, the successful bidder may disaffirm and withdraw the proposal if interest on the Notes received by private owners from securities of the same type and character shall be declared to be includable in gross income under present federal income tax laws in a manner not described in the section "Tax Matters" in the Preliminary Official Statement, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared includable in gross income or shall be required to be taken into account in computing personal federal income taxes by the terms of any federal income tax law enacted subsequent to the date of this notice.



**CLOSING PAPERS:** Each proposal will be understood to be conditioned upon the County furnishing to the successful bidder, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of delivery:

(a) **Legal Opinion.** The legal opinion of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel, approving the validity of the Notes and the Resolution and stating that interest on the Notes is excluded from gross income for federal income tax purposes of the United States of America under existing law (see Preliminary Official Statement for a description of certain qualifications with respect to taxes on corporations and others), and that such interest is also exempt from personal income taxes of the State of California under existing law, will be furnished the successful bidder at the time of delivery of the Notes, at the expense of the County. A copy of the opinion of Rutan & Tucker, LLP, certified by an officer of the County by such officer's facsimile signature, will be printed on the back of or delivered with each Note. No charge will be made to the purchaser for such printing or certification.

(b) **No Arbitrage Certificate.** A Certificate of the County certifying that on the basis of the facts, estimates and circumstances in existence on the date of delivery, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage bonds".

(c) **No Litigation Certificate.** At the time of payment for and delivery of the Notes, the County will furnish the successful bidder a Certificate that there is no litigation pending affecting the validity of the Resolution or the Notes.

(d) **Certificate Concerning Official Statement.** A Certificate of the County, signed by an appropriate officer, acting in his official capacity, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation: (1) neither the Official Statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (2) since the date of the Official Statement no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement which would make the statements therein, in light of the circumstances in which they were made misleading; nor (3) has there been any material adverse change in the operation or financial affairs of the County since the date of such Official Statement.

**DISCLOSURE LETTER:** A disclosure letter with respect to the Official Statement will be provided in customary form to the successful bidder by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel.

**CONTINUING DISCLOSURE:** In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"), the County has committed to undertake, pursuant to the Resolution and a Continuing Disclosure Certificate, to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Such Continuing Disclosure Certificate is a document required to be delivered at closing by the County, and the failure by the County to deliver such document in form and substance acceptable to Bond Counsel and the successful bidder will relieve the successful bidder of its obligation to purchase the Bonds. The County has not previously undertaken, and has not failed to comply with any undertaking, to make any required filing under the Rule.

**CUSIP NUMBERS:** CUSIP identification numbers will be requested by the County and will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the County; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEE:** Attention of bidders is directed to California Government Code Section 8856, which provides that the purchaser of the Notes will be charged for the California Debt and Investment Advisory Commission fee relating to the Notes.

PURCHASER'S CERTIFICATE: On the date of delivery of the Notes, the successful bidder will be required to furnish a certificate certifying the price at which the Notes were reoffered to the public and the price at which a substantial amount of the Notes were sold.

GIVEN by order of the County of Santa Cruz, California made on May 25, 1999.

By: /s/ Gary A. Knutson  
Auditor-Controller

BID FOR THE PURCHASE OF  
**\$57,000,000**  
 COUNTY OF SANTA CRUZ, CALIFORNIA  
 1999-2000 TAX AND REVENUE ANTICIPATION NOTES

To: County of Santa Cruz  
 Santa Cruz, California

June 16, 1999

On behalf of a group which we have formed and pursuant to the Notice Inviting Bids hereinafter mentioned, we offer to purchase all of the fifty seven million dollars (\$57,000,000) aggregate principal amount of the Notes designated as "County of Santa Cruz, California 1999-2000 Tax and Revenue Anticipation Notes" (the "Notes"), maturing on October 7, 2000 and bearing interest at the following rate:

|                         |                 |                      |
|-------------------------|-----------------|----------------------|
| <u>Principal Amount</u> | <u>Maturity</u> | <u>Interest Rate</u> |
| \$57,000,000            | October 7, 2000 | _____ %              |

and to pay therefor the aggregate sum of \$ \_\_\_\_\_ which represents the aggregate principal amount of the Notes plus a premium of \$ \_\_\_\_\_

This bid is made subject to all the terms and conditions of the Notice Inviting Bids, all of which terms and conditions are made a part hereof as fully as though set forth in full in this bid. As specified in the Notice Inviting Bids, this bid is subject to acceptance not later than twenty-four (24) hours after the expiration of the time for the receipt of bids, and the opinion of Rutan & Tucker, LLP, Costa Mesa, California, approving the validity of the Notes will be furnished us (if we are the successful bidder) at the time of the delivery of the Notes at the expense of the County of Santa Cruz, California.

There is submitted herewith a memorandum (which shall not constitute a part of this bid) stating the total net interest cost in dollars on the Notes during the life of the issue under this bid.

Respectfully submitted,

Other members of the syndicate are:

\_\_\_\_\_  
 (Firm)

By: \_\_\_\_\_  
 (Representative)

\_\_\_\_\_  
 Telephone No.

\_\_\_\_\_  
 \$57,000,000 plus premium, if any.

MEMORANDUM OF INTEREST COST

The total net interest cost on the Notes during the life of the issue to October 7, 2000, under the above bid is \$ \_\_\_\_\_ and the effective net interest rate is \_\_\_\_\_ %.

**COUNTY OF SANTA CRUZ**  
**1999-2000 TAX AND REVENUE ANTICIPATION NOTES**

Schedule of Actions

| <b><u>Scheduled to be Completed</u></b>                                | <b><u>Date to Complete</u></b> |
|--|--------------------------------|
| Financing <b>Consultant</b> distributes Preliminary Official Statement | May 7                          |
| Bond Counsel distributes <b>Legal</b> Documents                        | May 7                          |
| county Finalizes cashflows   | May 7                          |
| Agenda Deadline for Board Meeting                                      | May 11                         |
| Submit Documents to Rating Agency                                      | May 12                         |
| <b>Board</b> adopts Resolution approving Legal Documents               | May 18                         |
| Publish Bond Buyer Notice  | June 1                         |
| <b>Rating</b> Agency Assigns Rating                                    | <b>June 1</b>                  |
| Final Comments received on Preliminary OS                              | June 2                         |
| <b>Financing</b> Consultant delivers Preliminary OS to Printer         | June 3                         |
| Bidders receive Preliminary OS   | June 7                         |
| County receives Bids and Awards Sale of Notes                          | June 16                        |
| <b>Bond</b> Counsel distributes Closing Documents                      | June 23                        |
| Financing Consultant delivers Final <b>OS</b> to Printer               | <b>June 23</b>                 |
| <b>Final</b> OS delivered to Underwriter                               | June 24                        |
| Notes <b>Preclosing</b>  | July 7                         |
| Notes <b>Closing</b>   | July 8                         |