

OFFICIAL NOTICE OF SALE

\$18,000,000*

**PALO ALTO UNIFIED SCHOOL DISTRICT
(County of Santa Clara, State of California)
2019-20 TAX AND REVENUE ANTICIPATION NOTES**

NOTICE IS HEREBY GIVEN that electronically transmitted bids will be received on behalf of the Board of Trustees of the Palo Alto Unified School District, County of Santa Clara (the "District"), for the purchase of \$18,000,000* aggregate principal amount of notes of Palo Alto Unified School District, designated "Palo Alto Unified School District 2019-20 Tax and Revenue Anticipation Notes" (the "Notes") more particularly described herein, on

**Tuesday, September 10, 2019,
at 9:30 A.M., California time.**

The Director of Finance (the "Director of Finance") of the County of Santa Clara (the "County"), acting on behalf of and in consultation with the District, reserves the right to cancel or reschedule the sale of the Notes or change the terms thereof upon notice given through the Thomson Municipal Market Monitor (www.TM3.com) (the "News Service") at any time prior to the time bids are to be received. If no legal bid or bids are received for the Notes on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Notes on such other date and at such other time as shall be designated through the News Service as soon as practicable. As an accommodation to the bidders, telephonic, teletypes or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the District's registered municipal advisor (the "Municipal Advisor"): PFM Financial Advisors LLC, by email to Dave Olson at olsond@pfm.com (telephone (415) 393-7234). Failure of any bidder to receive such telephonic, teletyped or emailed notice shall not affect the legality of the sale.

TERMS OF THE NOTES

Important Note: This notice will be submitted to i-Deal Prospectus LLC for posting at i-Deal's website (www.i-dealprospectus.com) and in the Parity bid delivery system ("Parity"). In the event i-Deal's summary of the terms of sale of the Notes disagrees with this Official Notice in any particulars, the terms of this Official Notice shall control (unless notice of an amendment hereto is given as described above).

Issue: This Notice governs only the terms of sale, bidding and closing procedures. The terms of issuance, principal and interest repayment, security, tax opinion, and all other information regarding the Notes and the District, are given in the Preliminary Official Statement, which each bidder must have obtained and reviewed prior to bidding for the Notes. Copies of the Preliminary Official Statement relating to the Notes may be requested from the Municipal Advisor to the District, PFM Financial Advisors LLC, by email to Dave Olson at olsond@pfm.com (telephone (415) 393-7234). The Notes are only offered by means of the Official Statement, and the District has not authorized the posting of any information or summary about the District or the security for the Notes by i-Deal or any other person.

* Preliminary, subject to adjustment.

**Palo Alto Unified School District
2019-20 TRANS – Official Notice of Sale**

Date and Maturity: A single maturity of Notes shall be issued, dated their date of delivery (anticipated to be on September 24, 2019), and will mature within one year after their date of delivery (the “Maturity Date,” tentatively August 31, 2020), without possibility of prior redemption.

Interest Rate: The maximum interest rate bid for the Notes may not exceed 5.0% per annum. Interest is payable only upon the maturity of the Notes. Bidders must specify the rate of interest which the Notes shall bear; provided, that:

- (i) all bids must be for all Notes;
- (ii) all Notes must bear the same rate of interest;
- (iii) no Note shall bear more than one rate of interest;
- (iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid;
- (v) the interest rate specified must be in a multiple of 1/1,000 of 1%;
- (vi) the maximum net interest cost (“NIC”) shall not exceed 2.0%; and
- (vii) interest on the Notes is payable at maturity, calculated on the basis of a 30-day month, 360-day year from the date of the Notes.

TERMS OF SALE

Best Bid: The Notes will be awarded to the best bid on the basis of the annually compounded lowest NIC of the proposal, as calculated by the Municipal Advisor.

If two or more bidders offer bids at the same lowest NIC, the best bid will be the first bid received in the determination of the Director of Finance, whose determination is final; provided, however, that the Director of Finance reserves the right to exercise his discretion and judgment in making the award and may award the Notes on a pro rata basis in such denominations as the Director of Finance shall determine.

By submission of its bid, a bidder shall be deemed to have made the following representations:

(1) The bidder has received and reviewed the Preliminary Official Statement and, as a condition to bidding on the Notes, has determined that it can comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) As of the date of its bid and as of the date of delivery of the Notes, all members of the bidder’s syndicate either participate in The Depository Trust Company, New York, New York (“DTC”) or clear through or maintain a custodial relationship with an entity that participates in said depository.

(3) PFM Financial Advisors LLC, the District’s Municipal Advisor with respect to the Notes, is not a participant in this bidding syndicate or other similar account formed for the purpose of purchasing the Notes directly or indirectly from the District, nor is any parent company, subsidiary of, or entity controlled by or controlling PFM Financial Advisors LLC.

Minimum Bid: The Director of Finance, in consultation with the District, will not accept any bid for less than all of the Notes or for a purchase price of less than 100% of the principal amount of the Notes.

**Palo Alto Unified School District
2019-20 TRANS – Official Notice of Sale**

The foregoing provision does not preclude original issue discount or premium on the Notes so long as the bid is at least equal to 100% of the aggregate principal amount of the Notes.

Adjustment of Principal Amount: The Director of Finance, in consultation with the District, reserves the right following receipt of bids and determination of the winning bid to increase or decrease the principal amount of the Notes, including as may be necessary to take account of premium bid by the winning bidder, provided that in no event may the adjusted principal amount exceed \$20,000,000. In such event, the Director of Finance, in consultation with the District, will award such amount of Notes and the purchase price of the accepted bid will be adjusted accordingly. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATE BID OR THE INITIAL REOFFERING PRICE AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNT.**

Form of Bid: All bids must be unconditional. *All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.*

Hand Delivery: Hand delivered bids will not be accepted. All bids must use the i-Deal/Parity bid system.

WARNINGS: The Director of Finance assumes no responsibility for ensuring or verifying bidder compliance with Parity's procedures. The Director of Finance shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. The Director of Finance, the Municipal Advisor and Bond Counsel (defined herein) assume no responsibility for any malfunction of the Parity system, any failure of a bid to be received at the official time, or any error contained in any bid submitted electronically. The official time for receipt of bids will be determined by the Director of Finance, and the Director of Finance shall not be required to accept the time kept by Parity as the official time. In the event of a malfunction of the Parity system, all bids will be rejected and the Notes will be offered for competitive sale on a later date.

THE DIRECTOR OF FINANCE RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, DELIVERED BY ANY MEANS, IS TIMELY AND COMPLETE.

Multiple Bids: In the event multiple bids are received from a single bidder by any means or combination thereof, the Director of Finance, in consultation with the District, shall accept the bid representing the lowest NIC, and each bidder agrees by submitting any bid to be bound by such best bid.

Statement of Net Interest Cost (NIC): Each bidder is requested, but not required, to state in its bid the total percentage NIC, which shall be considered as informative only and not binding on either the bidder or the Director of Finance.

Good Faith Deposit: No good faith deposit is required to bid on the Notes, nor will a good faith deposit be required from the winning bidder.

Right of Rejection: The Director of Finance reserves the right to reject any and all bids and to waive any irregularity or informality in any bid which does not have a material effect and whose waiver will not change the ranking of the bids received.

Prompt Award: The Director of Finance will take action awarding the Notes or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of the bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment: Delivery of the Notes through the facilities of DTC will be made to the successful bidder in New York, New York, as soon as the Notes can be prepared, which it is estimated will be on September 24, 2019. Payment for the Notes must be made in funds immediately available in San Francisco, California, on the date of delivery. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder or bidders. The cost of printing the Notes will be borne by the District.

Right of Cancellation: The successful bidder shall have the right, at its option, to cancel its obligation to purchase the Notes if the Notes are not executed and tendered for delivery within 60 days from the date of sale thereof.

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Notes, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Notes being delivered to DTC, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Notes in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the District, but the CUSIP Service Bureau charge for the assignment of such numbers shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Notes.

California Debt and Investment Advisory Commission Fee: Attention of bidders is directed to California Government Code Section 8856, which provides that the lead underwriter or the purchaser of the Notes shall be charged any California Debt and Investment Advisory Commission fee payable with respect to the Notes.

Establishment of Issue Price: (a) The Underwriter shall assist the District in establishing the issue price of the Notes and shall execute and deliver to the District on the Closing Date an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel. All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the District by the Municipal Advisor and any notice or report to be provided to the District may be provided to the Municipal Advisor. The Municipal Advisor shall execute and deliver to the District on the Closing Date an “issue price” or similar certificate setting forth the bids received and a bids comparison, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Municipal Advisor, the District and Bond Counsel.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “competitive sale requirements”) because:

(i) the District shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(ii) all bidders shall have an equal opportunity to bid;

**Palo Alto Unified School District
2019-20 TRANS – Official Notice of Sale**

(iii) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(iv) the District anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest NIC, as noted above.

In the event that the competitive sale requirements are not satisfied, the District will reject all bids and cancel the sale.

Bidders should prepare their bids on the assumption that the issue price of the Notes will be the reasonably expected initial offering price to the public.

Litigation: There is no litigation pending concerning the validity of the Notes, the corporate existence of the District or the entitlement to their respective offices of the officers of the District who will execute the Notes and other documents or certificates, or the power of the County of Santa Clara to levy and collect taxes on behalf of the District for payment of, and to pay principal of and interest on, the Notes, and the District will furnish to the successful bidder or bidders a no-litigation certificate or certificates certifying the foregoing as of and at the time of the delivery of the Notes.

Legal Opinion: The legal opinion of Orrick, Herrington & Sutcliffe LLP, serving as bond counsel to the District (“Bond Counsel”), approving the validity of the Notes, addressed to the District, will be furnished to the successful bidder upon delivery of the Notes. Copies of the opinion will be filed with DTC and with the Director of Finance, as Paying Agent.

Tax Matters: Orrick, Herrington & Sutcliffe LLP will render to the District its legal opinion with respect to tax-exemption of the interest paid on the Notes. *See* the discussion of Tax Matters in the Official Statement hereinafter referred to. In the event that prior to the delivery of the Notes (a) the income received by private holders from obligations of the same type and character shall be declared to be includable in gross income (either at the time of such declaration or at any future date) for purposes of federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the Notes as such, the successful bidder may, at its option, prior to the tender of the Notes by the District, be relieved of its obligation to purchase the Notes, and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or otherwise includable for purposes of calculating certain other tax liabilities.

Official Statement: The District has authorized the use of an official statement relating to the Notes. A copy of the Preliminary Official Statement will be furnished upon request to the Municipal Advisor. The Preliminary Official Statement is in form “deemed final” by the issuer for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. The District will furnish to the successful bidder, at no expense to the successful bidder, up to 40 copies of the final Official Statement within 7 business days of the award date.

Official Statement Certificate: The District will provide to the successful bidder for the Notes a certificate, signed by an official of the District, confirming to the successful bidder that, to the best knowledge of such official, at the time of the acceptance of the bid for the Notes, the Preliminary Official Statement did not, and at the time of delivery of the Notes, the Official Statement does not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading

**Palo Alto Unified School District
2019-20 TRANS – Official Notice of Sale**

(except that no view will be expressed concerning information regarding DTC and its book-entry only system, information provided by the Director of Finance regarding County investments and information provided by the successful bidder regarding the underwriting, reoffering, and CUSIP identification numbers of the Notes, as to all of which no view shall be expressed), and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Notes to rely upon the Official Statement in connection with the resale of the Notes.

Continuing Disclosure Certificate: In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Dated: August 30, 2019.

/s/ Carolyn Chow
Chief Business Official
Palo Alto Unified School District

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the “Underwriter”), hereby certifies as set forth below with respect to the sale of the Palo Alto Unified School District 2019-20 Tax and Revenue Anticipation Notes (the “Notes”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering price of the Notes to the Public by the Underwriter is _____% (the “Expected Offering Price”). The Expected Offering Price is the price for the Maturity of the Notes used by the Underwriter in formulating its bid to purchase the Notes. Attached as Schedule 1 is a true and correct copy of the bid provided by the Underwriter to purchase the Notes.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is _____, 2019.

(d) “Underwriter” means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for

federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Notes.

Dated: _____, 2019.

[UNDERWRITER]

By: _____
Authorized Representative

Schedule 1

COPY OF UNDERWRITER'S BID

See attached.

[THIS PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT B

FORM OF CERTIFICATE OF MUNICIPAL ADVISOR

The undersigned, on behalf of PFM Financial Advisors LLC, as the municipal advisor (the “Municipal Advisor”) to Palo Alto Unified School District (the “District”) in connection with the issuance of its 2019-20 Tax and Revenue Anticipation Notes (the “Notes”), has assisted the District in soliciting and receiving bids from potential underwriters in connection with the sale of the Notes in a competitive bidding process in which bids were requested for the purchase of the Notes at specified written terms, and hereby certifies as set forth below with respect to the bidding process and award of the Notes.

1. The Notes were offered for sale at specified written terms more particularly described in the Official Notice of Sale (the “Notice of Sale”), which was distributed to potential bidders, a copy of which is attached to this certificate as Attachment 1.

2. The Notice of Sale was disseminated electronically through the i-Deal/Parity system, and a copy of the Notice of Sale (or a summary thereof) was published in The Bond Buyer® newspaper on August 30, 2019. The methods of distribution of the Notice of Sale are regularly used for purposes of disseminating notices of sale of new issuances of municipal bonds and notes, and notices disseminated in such manner are widely available to potential bidders.

3. To the knowledge of the Municipal Advisor, all bidders were offered an equal opportunity to bid to purchase the Notes so that, for example, if the bidding process afforded any opportunity for bidders to review other bids before providing a bid, no bidder was given an opportunity to review other bids that was not equally given to all other bidders (that is, no exclusive “last-look”).

4. The District received bids from at least three bidders who represented that they have established industry reputations for underwriting new issuances of municipal bonds and notes. Copies of the bids received are attached to this certificate as Attachment 2.

5. The winning bidder was _____ (the “Underwriter”), whose bid was determined to be the best conforming bid in accordance with the terms set forth in the Notice of Sale, as shown in the bid comparison attached as Attachment 3 to this certificate. The District awarded the Notes to the Underwriter.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Municipal Advisor’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Notes. No other persons may rely on the representations set forth in this certificate without the prior written consent of the Municipal Advisor.

Dated: _____, 2019.

PFM FINANCIAL ADVISORS LLC

By: _____
Authorized Representative

Attachment 1

OFFICIAL NOTICE OF SALE

See attached.

Attachment 2

BIDS RECEIVED

See attached.

Attachment 3
BID COMPARISON

See attached.