

***THE BOARD OF PUBLIC EDUCATION
OF THE SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA***

MINUTES

Meeting of: November 15, 2000

Call of the Meeting: Special meeting to approve 2000 Qualified Zone Academy Bond (QZAB) funds

Members Present: Mr. Brentley, Mrs. Fink, Mrs. Harris, Mr. Isler, Mrs. Neiser, Mr. Matthews. Present 6.

Members Absent: Mr. Taylor, Mrs. Schmidt, Mrs. Wood Absent 3.

The following matters were received and acted upon.

Actions taken are recorded following the reports.

THE BOARD OF PUBLIC EDUCATION

PITTSBURGH, PENNSYLVANIA 15213

Administration Building
341 South Bellefield Avenue

November 15, 2000

AGENDA

- | | | |
|----|--|-----------|
| I. | 2000 Qualified Zone Academy Bonds (QZAB) | Roll Call |
| A. | Approval of issuance of Qualified Zone Academy Bonds (QZAB) | |
| B. | Approval to accept Northeast Energy Services, Inc. (NORESKO) as partner in QZAB program | |
| C. | Authorization to amend list of approved depositories | |

We are an equal rights and opportunity school district.

**Committee on Business Affairs
November 15, 2000**

IA. GENERAL AUTHORIZATION

RESOLVED, That the Board authorize issuance of \$2.568 million of Qualified Zone Academy Bonds (QZAB), Series 2000 to fund the School District's installation and/or retrofitting of lighting at twenty-two (22) schools under the Guaranteed Energy Savings Act as approved by the Board of School Directors on February 23, 2000 and October 23, 2000. See Attachment A.

IB. GENERAL AUTHORIZATION

RESOLVED, That the Board authorize its proper officers to accept Northeast Energy Services, Inc. (NORESCO) as the School District of Pittsburgh's "local business partner" in the Qualified Zone Academy Bond (QZAB) 2000 program, and

RESOLVED FURTHER, That the Board accept NORESCO's cash contribution of \$256,800, or 10% of QZAB proceeds in accordance with the rules of the QZAB program, and

RESOLVED FINALLY, That the Board authorize its proper officers to use NORESCO's cash contribution to establish the 2000 Automated Building Systems Controls fund for energy management and related cost savings initiatives.

IC. GENERAL AUTHORIZATION

Amendment to item previously adopted by the Board, Legislative Minutes, December, 1999 and August, 2000:

AS AMENDED AUGUST, 2000:

RESOLVED, That the Board adopt a plan for bank deposits and investments for 2000 as follows and authorize execution of the necessary agreements/memoranda to carry out the plan:

| | |
|--------------------------|---|
| Action Accounts: | PNC Bank Mellon Bank National City Bank |
| Active – Direct Deposit: | National City Bank |
| Active – Food Service: | Mellon Bank Dollar Bank |
| Investment Accounts: | Allegheny Valley Bank Chase Manhattan |

| | |
|---------------------------------|---|
| Investment Accounts: (cont.) | Dollar Bank Dwelling House ESB Bank/Troy Hill Federal Savings Bank Fidelity Bank INVEST Iron & Glass Bank Laurel Bank Laurel Savings Bank Mellon Bank National City Bank Northside Bank PA Local Government Investment Trust PA School Liquid Asset Fund Parkvale Savings Bank PNC Bank/BlackRock Three Rivers |
|---------------------------------|---|

RESOLVED, FINALLY, That institutions that open branch offices within unserved neighborhoods within the School District of Pittsburgh be rewarded by our providing targeted investments to those institutions as long as interest rates permit.

NOVEMBER AMENDMENT:

RESOLVED, That the Board adopt a plan for bank deposits and investments for 2000 as follows and authorize execution of the necessary agreements/memoranda to carry out the plan:

| | |
|--------------------------|--|
| Action Accounts: | PNC Bank Mellon Bank National City Bank |
| Active – Direct Deposit: | National City Bank |
| Active – Food Service: | Mellon Bank Dollar Bank |
| Investment Accounts: | Allegheny Valley Bank Chase Manhattan Dollar Bank Dwelling House ESB Bank/Troy Hill Federal Savings Bank Fidelity Bank First Union INVEST Iron & Glass Bank Promistar (formerly Laurel Bank) Laurel Savings Bank |

Investment Accounts:
(cont.)

- Mellon Bank
- National City Bank
- Northside Bank
- PA Local Government Investment Trust
- PA School Liquid Asset Fund
- Parkvale Savings Bank
- PNC Bank/BlackRock
- Three Rivers

RESOLVED, FINALLY, That institutions that open branch offices within unserved neighborhoods within the School District of Pittsburgh be rewarded by our providing targeted investments to those institutions as long as interest rates permit.

REASON FOR AMENDMENT:

To add First Union to the District's list of approved depositories to permit the investment of 2000 Qualified Zone Academy Bonds as specified in the purchase agreement. No other investments will be made with First Union without further Board Action.

School District of Pittsburgh

Qualified Zone Academy (QZAB) Bond Issue

- A QZAB is a taxable bond issued by a state or local government, the proceeds of which are used to improve certain eligible public schools. In lieu of receiving periodic interest payments from the issuer, an eligible holder of a QZAB is generally allowed annual federal income tax credits while the QZAB is outstanding. These credits compensate the holder for lending money to the issuer and function as payments of interest on the QZAB. Similar to interest payments on a taxable loan, the QZAB tax credits are taxable to the recipient. The intent of the tax credit is to permit the QZAB to be issued “without discount and without interest cost to the issuer.
- Bond Issue Summary:

| | |
|-------------------------------------|----------------|
| Funds received from transaction: | |
| <i>Bond Par Amount</i> | \$2,568,000 |
| <i>Private Contribution</i> | <u>256,800</u> |
| Total Proceeds | \$2,824,800 |
| Total School District Debt Service: | \$1,150,000 |
- The School District received a total of two proposals. First Union National Bank was the winner and provided the School District with a bid of 100% of the par amount. LaSalle National Bank provided a bid of 93% of par.

List of schools for Guaranteed Energy Savings Project financed through QZAB. Four (4) additional schools to be named at a future date.

| School Building Name | Pre-Install Fixture Quantity | Post-Install Fixture Quantity | Estimated kW Reduction* | Estimated kWh Savings* |
|---------------------------------|------------------------------|-------------------------------|-------------------------|------------------------|
| Banksville Elementary School | 584 | 433 | 36 | 65,293 |
| Grandview Elementary School | 764 | 552 | 29 | 52,084 |
| Knoxville Middle School | 1,825 | 1,270 | 81 | 163,268 |
| Phillips Elementary School | 255 | 239 | 16 | 28,442 |
| Prospect Multicultural Center | 1,958 | 1,160 | 89 | 174,898 |
| Sterrett Classical Academy | 404 | 388 | 27 | 52,170 |
| Dilworth Traditional Academy | 568 | 521 | 27 | 57,830 |
| Crescent Elementary School | 1,061 | 707 | 49 | 84,576 |
| Homewood Montessori | 443 | 319 | 29 | 48,037 |
| Regent Square Elementary School | 568 | 349 | 25 | 51,610 |
| Minadeo Elementary School | 935 | 827 | 54 | 92,156 |
| Lemington Elementary School | 783 | 463 | 37 | 66,832 |
| Madison Elementary School | 450 | 411 | 23 | 34,358 |
| McKeivy Elementary School | 708 | 611 | 36 | 66,549 |
| Miller Elementary School | 734 | 483 | 21 | 43,539 |
| Chatham Elementary School | 538 | 372 | 22 | 41,446 |
| Schiller Classical Academy | 736 | 510 | 43 | 63,013 |
| Stevens Elementary School | 1,020 | 703 | 47 | 80,184 |

A RESOLUTION OF THE SCHOOL DISTRICT OF PITTSBURGH
(ALLEGHENY COUNTY, PENNSYLVANIA)
ENACTED NOVEMBER 15, 2000 AND NUMBERED 6227995
\$2,568,000 QUALIFIED ZONE ACADEMY BOND

WHEREAS, the Governing Body of the Local Government Unit (hereinafter defined) deems it advisable to borrow the amount shown above, pursuant to the Local Government Unit Debt Act, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177) (the "Debt Act"), in order to undertake the Project hereinafter described in Exhibit A; and

WHEREAS, the Local Government Unit has obtained estimates of the cost, and has determined the useful life of the Project by obtaining estimates from registered architects, professional engineers or other persons qualified by experience; and

WHEREAS, FIRST UNION NATIONAL BANK (the "Bank") has presented a Bond Purchase Proposal, for the purchase of a Qualified Zone Academy Bond(s) to be issued by the Local Government Unit in order to achieve the financing of the Project;

NOW, THEREFORE, IT IS HEREBY ENACTED by the affirmative vote of a majority of all members of the governing body of the Local Government Unit as follows:

Section 1 -- Authorization.

1.01. The Local Government Unit hereby authorizes the incurrence, and the increase of its nonelectoral indebtedness in the principal amount set forth above, to be evidenced by Qualified Zone Academy Bond(s), Series of 2000 (the "QZAB"), in the form attached hereto as Exhibit B, in order to pay the costs of the Project. The QZAB will be dated the date of its delivery, will bear interest in the form of a tax credit to the holder thereof pursuant to Section 1397E(b) of the Internal Revenue Code of 1986, as amended (the "Code") at the credit rate and principal will be payable (or will be subject to redemption or will mature) on the date(s) shown on Exhibit C subject to the maximum maturity permitted by the U.S. Treasury.

1.02. The Local Government Unit hereby authorizes and directs the Designated Officers (hereinafter defined), to execute and deliver such documents (including a Funding Agreement and Tax Compliance Agreement with the Bank), and to do and perform all acts necessary and proper for the issuance and further security of the QZAB, including the filing of proceedings with the Department of Community and Economic Development to enable the Department to certify its approval to issue, sell and deliver the QZAB to the Bank.

Section 2 -- Preparation of Debt Statement.

As required by §8110 of the Debt Act, the Designated Officers of the Local Government Unit shall prepare, execute and acknowledge the Debt Statement, and its accompanying Borrowing Base Certificate.

Section 3 -- Security and Payment of QZAB.

3.01. The QZAB shall be a general, full faith and credit, unlimited tax obligation of the Local Government Unit. The Local Government Unit hereby covenants with the Bank and with any subsequent holder, from time to time, of the QZAB that it will (a) include the amount of the debt service for each fiscal year in which any installment of principal is payable in its budget for that year, (b)

appropriate such amounts to the payment of such debt service and (c) duly and punctually pay or cause to be paid the principal of the QZAB on the dates at the place and in the manner stated therein according to the true intent and meaning thereof; for such budgeting, appropriation and payment, the Local Government Unit hereby pledges its full faith, credit and taxing power.

3.02. The Local Government Unit does hereby create, and order to be established (in its name and identified by reference to the QZAB), a Sinking Fund for the payment of the QZAB with the Bank, a bank lawfully conducting business in the Commonwealth of Pennsylvania, and does further covenant to maintain such Sinking Fund until the QZAB is paid in full. Any Designated Officer is hereby authorized and directed to contract with the Bank for its services as sinking fund depository, paying agent and registrar for the QZAB. The Bank shall undertake the duties of sinking fund depository, paying agent and registrar according to the provisions of this Resolution and the Debt Act and in compliance with current industry standards and practices.

3.03. The Local Government Unit will cause the Bank to keep, in its capacity as registrar, a register in which, subject to reasonable regulations, the Local Government Unit will provide for the registration of the QZAB and the registration of transfer and exchanges of the QZAB. No transfer or exchange of any QZAB will be valid unless made at the offices of the Bank and registered in the register.

Upon surrender for registration of transfer of any QZAB, the Local Government Unit will execute, and the Bank will authenticate and deliver in the name of the transferee or transferees, a new QZAB or QZAB of any authorized denomination, of the same yield and maturity, and in the same principal amount, as the QZAB so surrendered.

Any QZAB is exchangeable for other QZAB of the same yield and maturity, in any authorized denomination, in the same principal amount as the QZAB or QZAB presented for exchange. Upon surrender for exchange of any QZAB, the Local Government Unit shall execute, and the Bank shall authenticate and deliver in exchange therefor, the new QZAB or QZAB which the registered owner making the exchange shall be entitled to receive.

Every QZAB presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer, in form and with guaranty of signature satisfactory to the Local Government Unit and the Bank, duly executed by the owner thereof or his duly authorized agent or legal representative.

No service charge shall be imposed on any Registered Owner for any transfer or exchange of any QZAB, but the Local Government Unit may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of QZAB.

3.04 Notwithstanding the foregoing provisions of Section 3.03, no QZAB will be permitted to be transferred to a holder, other than the Bank, unless the transferee is an "eligible taxpayer" as provided in Section 1397E(d)(6) of the Code.

3.05 The Local Government Unit shall enter into an irrevocable time deposit escrow agreement ("Escrow Agreement") with the Sinking Fund Depository that is fully collateralized by U.S. Government or U.S. Government Agency securities which are guaranteed by the full faith and credit of the United States of America. The Local Government Unit shall deposit funds with the Sinking Fund Depository pursuant to the Escrow Agreement which along with earnings thereon will be sufficient to pay all of the principal payments due on the QZAB.

Section 4 -- Tax Matters.

4.01. The Local Government Unit represents that the QZAB is being issued for a "qualified purpose" in accordance with Section 1397E(d)(1)(A) of the Code and pursuant thereto hereby certifies that 95 percent or more of the proceeds of the QZAB will be used for a "qualified purpose," as defined pursuant to Section 1397E(d)(5) of the Code, with respect to a "qualified zone academy" as defined pursuant to Section 1397E(d)(4)(A) of the Code.

4.02. The Local Government Unit, pursuant to the requirements of Section 1397E(d)(1)(C) of the Code hereby certifies that:

(a) it has received written assurances that the private business contribution requirements of Section 1397E(d)(2) of the Code will be met to the extent that a "qualified contribution" as defined pursuant to Section 1397E(d)(2)(B) of the Code, will have a present value (as of the date of issuance of the QZAB) of not less than 10% of the proceeds of the QZAB; and

(b) it has received the written approval of the Pennsylvania Department of Education for the issuance of the QZAB, in the amount specified and further the Local Government Unit, the issuer of the QZAB, is an "eligible local education agency" as defined in Section 14101 of the Federal Elementary and Secondary Education Act of 1965.

Section 5 -- Award.

Having determined that a private sale by negotiation of the QZAB is in the best financial interest of the Local Government Unit, the Governing Body hereby awards and sells the QZAB to the Bank in accordance with the Bond Purchase Proposal is hereby accepted subject to approval by the Solicitor and Bond Counsel and shall be executed by the Designated Officers.

Section 6 -- Note Ordinance a Contract.

This Ordinance shall be deemed to be a contract with the holders, from time to time, of the QZAB.

Section 7 -- Expeditious Settlement.

The Local Government Unit hereby authorizes and directs Bond Counsel and Solicitor to undertake and perform all actions on behalf of the Local Government Unit necessary and proper to the expeditious settlement of the sale of the QZAB.

The Designated Officers are further authorized and directed to undertake and perform, or cause to be undertaken or performed, all such ordinary duties of the Local Government Unit (and the same are hereby specifically approved) which may be required under, or reasonably contemplated by, the Purchase Proposal, including, without limitation, establishment of bank accounts with authorized depositories for the deposit and management of QZAB proceeds and other Project funds, purchase of necessary investments, retention of professionals, and execution and delivery of such certificates, orders and agreements as may be necessary, in the opinion of Bond Counsel or Solicitor, to settlement of the sale of the QZAB.

The Designated Officers are also authorized and directed to establish with First Union National Bank in trust for the owners of the QZAB, escrow funds, pursuant to the terms of the Escrow Trust Agreement, or into the Sinking Fund for the deposit and maintenance of securities pledged, if any, to the payment of the QZAB, as they become due and payable. The Designated Officers are hereby authorized and directed to contract with First Union National Bank for its services in this capacity.

Section 8 -- Creation of Sinking Fund.

The Local Government Unit hereby creates, and orders to be established, Sinking Funds for the payment of the QZAB with the First Union National Bank (the "Sinking Fund Depository"), and further irrevocably covenants to maintain such Sinking Funds until the QZAB is paid in full. The Designated Officer is hereby authorized and directed to contract with the Sinking Fund Depository for its services in such capacity, together with its services as Paying Agent and Registrar for the Bonds.

Section 9 -- Maintenance of Sinking Funds.

The Sinking Fund Depository shall maintain the Sinking Fund as a separate account and shall, without further authorization other than as herein contained, pay, from moneys therein, the principal the QZAB, as and when the same shall become due, to the holder(s) thereof.

Section 10 -- Stated Maturity Dates.

The Local Government Unit hereby finds and determines that: (1) the QZAB is to be issued with: (a) a final stated maturity date which does not exceed the sooner to occur of forty years or the useful life of the Project; and (b) an initial stated installment or maturity of principal which has not been deferred beyond one year from the date of expected completion of the Project; and (2) the stated maturities, or principal installments subject to mandatory redemption, of the QZAB have been fixed either: (a) so as to amortize the QZAB on at least an approximately level debt service plan during the period specified for the payment of principal under Section 8142(c) of the Debt Act; or (b) in the alternative, in the event that an Exhibit D has been properly completed and is attached to this Debt Ordinance and thereby incorporated by reference herein, so that the debt service on outstanding debt of the Local Government Unit (being the Bonds, together with such other debt as has been identified on Exhibit D) will be brought more nearly into an over-all level annual debt service plan.

Section 11 -- Definitions.

Unless the context clearly indicates otherwise, the following terms shall, for all purposes of this Debt Ordinance, have the meanings hereby ascribed to them. Moreover, such terms, together with all other provisions of this Debt Ordinance, shall be read and understood in a manner consistent with the provisions of the Debt Act, as generally interpreted by the Department of Community and Economic Development or by courts maintaining competent jurisdiction.

"Bond Counsel" means Thorp Reed & Armstrong, LLP Pittsburgh, Pennsylvania.

"Designated Officer(s)" means and includes, individually or jointly, the President of the Board of Public Education, the Vice Presidents, the Secretary and Assistant Secretaries (and their appropriate successors acting by reason of absence or other incapacity), being those duly elected or appointed and acting officials of the Local Government Unit hereby authorized to undertake and perform the actions herein specified, which are necessary and proper to the issuance of the QZAB and compliance with the Debt Act.

"Governing Body" means the Board of Public Education of the Local Government Unit, being that entity authorized by law to fix the rate of, and to levy, taxes within the Local Government Unit.

"Local Government Unit" means The School District of Pittsburgh, situated in the County of Allegheny, a school district of the first class A of the Commonwealth of Pennsylvania, duly organized and

validly existing under the Constitution and laws of the Commonwealth, particularly the Public School Code of 1949, as amended.

"Sinking Fund Depository" means First Union National Bank, a bank or bank and trust company (or wholly owned subsidiary of the same) located and lawfully conducting a banking or trust business in the Commonwealth of Pennsylvania, having its principal corporate trust office in Philadelphia, Pennsylvania. The Bank will assume, undertake and perform the duties of the Sinking Fund Depository specified by this Debt Ordinance or contained in the Debt Act, and will further act as Paying Agent and Registrar in respect of the QZAB, according to the provisions of this Debt Ordinance and the Debt Act and in compliance at all times with then-current industry standards and practices.

"Solicitor" means Robert J. Stefanko, Esq., 341 South Bellefield Avenue, Pittsburgh, PA 15213.

DULY ENACTED on November 15, 2000

THE SCHOOL DISTRICT OF PITTSBURGH

By _____
President, Board of School Directors

(SEAL)

Attest:

Assistant Secretary

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County, Pennsylvania

DESCRIPTION OF PROJECT

The Project means payment of the costs of: (i) acquiring and installing electrical and lighting system upgrades in 22 School District Buildings to reduce energy expenditure and enhance the learning environment and (ii) incurring indebtedness in respect of the foregoing.

The expected useful life of the Project is, on a weighted average, in excess of twenty (20) years.

FORM OF QUALIFIED ZONE ACADEMY BOND

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County, Pennsylvania

QUALIFIED ZONE ACADEMY BOND, SERIES OF 2000

| <u>Principal Amount</u> | <u>Credit Rate</u> | <u>Dated Date</u> | <u>Maturity Date</u> |
|-------------------------|--------------------|-------------------|----------------------|
| \$2,568,000 | ___% | December 15, 2000 | _____ |

The above named Local Government Unit, intending to be legally bound, promises to pay to the registered owner shown on the attached registration form in such coin or currency as at the time and place of payment is legal tender for the payment of public and private debts, without any right of set-off, the Principal Amount set forth above, which shall be paid each January 1, beginning January 1, 2001 in the maximum amounts indicated on the attached amortization schedule. Any outstanding principal shall be due and payable in full on _____, _____. The Local Government Unit acknowledges that the payment of principal is calculated on the assumption that each periodic payment will be made on the date when due, and if there is any variation in the actual payment dates, there may be an additional amount due upon maturity of this QZAB. The Principal Amount outstanding under this QZAB will bear a tax credit rate of ___%. The amount of the tax credit will be determined in accordance with the Section 1397E of the Code.

The Local Government Unit has the right to prepay all or part of the outstanding principal hereunder without payment of premium or penalty on or after January 1, 2002. The Local Government Unit may redeem the QZAB in whole, but not in part, on the first business day after any January 1 thereafter. The Local Government Unit must give not less than 20 days' written notice of redemption to the holders. The redemption price of the QZAB will be equal to the principal amount thereof.

The QZAB is subject to mandatory redemption prior to maturity upon the payment of \$5,000 on each January 1, beginning January 1, 2002 until the date of maturity.

If any payment of principal has not been received by the holder within 15 days after the due date, the holder will charge, and the Local Government Unit agrees to pay, a late charge equal to 5% of the past due amount.

The Local Government Unit hereby covenants with the registered owner hereof that it will include the amount of the debt service payable hereunder in its budget for the applicable fiscal year, will appropriate such amounts to the payment of such debt service and will duly and punctually pay or cause to be paid the entire principal hereof and the interest hereon at the place, on the dates and in the manner stated above, according to the true meaning and intent hereof, and for such budgeting, appropriation and payment, the Local Government Unit hereby pledges its full faith, credit and taxing power.

No recourse shall be had for the payment of the principal or allocation of tax credit on this QZAB, or for any claim based hereon, against any officer, agent or employee, past, present or future, of the Local Government Unit, as such, either directly or through the Local Government Unit, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents or employees is hereby renounced, waived and released as a condition of and as consideration for the issuance, execution and acceptance of this QZAB.

In the event of a default hereunder, Local Government Unit will pay the registered owner's reasonable costs and expenses incurred in collection of the amounts due hereunder.

This QZAB evidences a borrowing for a Project under the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177) (the "Debt Act"), pursuant to a Resolution of the Local Government Unit duly and regularly enacted in accordance with the provisions of the Debt Act, and with the approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania.

It is hereby certified that all acts, conditions and things required to be done, to occur or be performed precedent to and in the issuance of this QZAB, or in the creation of the indebtedness of which this QZAB is evidence, have been done, have occurred and have been performed in regular and due form and manner as required by law, and that the debt evidenced by this QZAB is not in excess of any constitutional or statutory limitation.

WITNESS the due execution hereof as of the Dated Date set forth above.

ATTEST:

THE SCHOOL DISTRICT OF PITTSBURGH

Assistant Secretary

By: _____
President

(SEAL)

REGISTRATION FORM

This QZAB will not be permitted to be transferred to a holder unless the transferee is an "eligible taxpayer" as provided for in Section 1397E(d)(6) of the Code. This QZAB can be validly negotiated only upon proper execution of the form set forth below, and upon notation of the same upon the books of the Local Government Unit maintained by the Sinking Fund Depository, as Registrar, for such purpose. The Local Government Unit shall treat the registered owner of this QZAB, as noted on this QZAB and on the books, as the absolute owner hereof, and shall not be affected by any changed circumstances, nor by any notice to the contrary.

Original Registered Owner

FIRST UNION NATIONAL BANK

| <u>Date</u> | <u>Transferor</u> | <u>Subsequent Purchaser</u> |
|-------------|-------------------|-----------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

For value received, the last-named Transferor, by its due execution above, hereby, on the above-stated date, sells, transfers and negotiates this QZAB to the last-named Subsequent Purchaser, warranting that this transfer is effective and rightful; that this QZAB is genuine and has not been materially altered; and that it has no knowledge of any fact which might impair the validity of this QZAB.

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County, Pennsylvania

QZAB PROVISIONS

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County
Qualified Zone Academy Bond, Series of 2000

The specific terms and provisions of the QZAB are as follows:

- a. Borrower – Name and Notice Address:

The School District of Pittsburgh
341 South Bellefield Avenue
Pittsburgh, PA 15213

- b. Loan Amount allocated by the Authority for this Project: \$2,568,000

- c. Interest Rate: The QZAB will bear interest at a fixed rate determined by the Secretary of the Treasury for the calendar month of December, 2000, in accordance with Section 1397E(b)(2) of the Tax Code. The interest rate on the QZAB when issued will not exceed 10%.

- d. Maturity Date: The QZAB will mature on a date determined in accordance with the Maturity period determined by the Secretary of the Treasury and published on December 1, 2000. The QZAB will mature no later than December 1, 2020.

- e. Terms on which payments are based:

Payments must be deposited with the Bank in immediately available funds on or before the dues dates for payment shown in (f) below.

- f. Debt Service Schedule and Sinking Fund Investment Payment Schedule [See Exhibit D]

- g. Prepayment Terms:

The Bonds are subject to redemption as follows:

Mandatory Redemption: The QZAB is subject to mandatory redemption prior to maturity upon the payment of \$5,000 on each January 1, beginning January 1, 2002 until the date of maturity.

Optional Redemption: The Local Government Unit may redeem the QZAB in whole, but not in part, on the first business day after any January 1 during the term of the QZAB. The Local Government Unit must give not less than 20 days' written notice of redemption to the holder. The redemption price of the QZAB will be equal to the principal amount thereof.

PROOF OF COMPLIANCE WITH
LOCAL GOVERNMENT UNIT DEBT ACT SECTION 8142(B)(2)

The School District of Pittsburgh
Qualified Zone Academy Bond, Series 2000
Debt Service Schedule and Sinking Fund Investment Payment Schedule

| <u>Payment Date</u> | <u>Principal Due</u> |
|---------------------|----------------------|
| 1/1/02 | \$ 5,000.00 |
| 1/1/03 | \$ 5,000.00 |
| 1/1/04 | \$ 5,000.00 |
| 1/1/05 | \$ 5,000.00 |
| 1/1/06 | \$ 5,000.00 |
| 1/1/07 | \$ 5,000.00 |
| 1/1/08 | \$ 5,000.00 |
| 1/1/09 | \$ 5,000.00 |
| 1/1/10 | \$ 5,000.00 |
| 1/1/11 | \$ 5,000.00 |
| 1/1/12 | \$ 5,000.00 |
| 1/1/13 | \$ 5,000.00 |
| 1/1/14 | \$ 5,000.00 |
| 1/1/15 | \$ 5,000.00 |
| 1/1/16 | \$ 5,000.00 |
| 1/1/17 | \$ 5,000.00 |
| 1/1/18 | \$ 5,000.00 |
| 1/1/19 | \$ 5,000.00 |
| 1/1/20 | \$ 5,000.00 |
| 1/1/21 | \$ 2,473,000.00 |
| Total | \$ 2,568,000.00 |

CERTIFICATE

I, the undersigned, a Designated Officer of the named Local Government Unit, hereby certify that the foregoing and attached is a true copy of a Resolution which was duly adopted by the affirmative vote of a majority of all the members of the Governing Body thereof at a meeting held on the date of the execution thereof; that due notice of such meeting was given and the meeting was at all times open to the public; that such Resolution was duly recorded; that this Resolution is still in full force and effect as of the date hereof; that the vote upon said Resolution was called and duly recorded upon the minutes of the Governing Body; and that the members of the Governing Body voted in the manner following:

| | Yes | No | Abstain | Absent |
|-------------------|-------|-------|---------|--------|
| Alex Matthews | _____ | _____ | _____ | _____ |
| Randall Taylor | _____ | _____ | _____ | _____ |
| Evelyn B. Neiser | _____ | _____ | _____ | _____ |
| Jean Fink | _____ | _____ | _____ | _____ |
| Mark Brentley | _____ | _____ | _____ | _____ |
| Darlene M. Harris | _____ | _____ | _____ | _____ |
| William Isler | _____ | _____ | _____ | _____ |
| Maggie M. Schmidt | _____ | _____ | _____ | _____ |
| Jean E. Woods | _____ | _____ | _____ | _____ |

WITNESS my hand and seal of the Local Government Unit this ____ day of November, 2000.

THE SCHOOL DISTRICT OF PITTSBURGH

[SEAL]

Assistant Secretary

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TRANSCRIPT OF PROCEEDINGS

- - -

PITTSBURGH BOARD OF PUBLIC EDUCATION
SPECIAL LEGISLATIVE MEETING
WEDNESDAY, NOVEMBER 15, 2000
6:00 P.M.
ADMINISTRATION BUILDING - BOARD ROOM

- - -

BEFORE:

ALEX MATTHEWS, BOARD PRESIDENT
EVELYN NEISER, SECOND VICE PRESIDENT
MARK BRENTLEY
JEAN FINK
DARLENE HARRIS
WILLIAM ISLER

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MEMBERS ABSENT

RANDALL TAYLOR
MAGGIE SCHMIDT
JEAN WOOD

ALSO PRESENT:

DR. JOHN W. THOMPSON DR. PAULA BUTTERFIELD
MR. ROBERT STEFANKO MR. RICHARD R. FELLERS
MRS. CLAUDIA HARPER-EAGLIN MRS. JOYCE MORELAND

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REPORTED BY: EUGENE C. FORCIER
PROFESSIONAL COURT REPORTER

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1 P-R-O-C-E-E-D-I-N-G-S

2 MR. MATTHEWS: Good evening.

3 May we all the please stand and salute the
4 flag.

5 (Salute to the flag.)

6 MR. MATTHEWS: Thank you for coming to this
7 special legislative session.

8 May we have a roll call, please.

9 MR. STEFANKO: Mr. Brentley?

10 MR. BRENTLEY: Here.

11 MR. STEFANKO: Mrs. Fink?

12 MS. FINK: Here.

13 MR. STEFANKO: Mrs. Harris?

14 MS. HARRIS: Here.

15 MR. STEFANKO: Mr. Isler?

16 MR. ISLER: Here.

17 MR. STEFANKO: Mrs. Neiser?

18 MS. NEISER: Here.

19 MR. STEFANKO: Mrs. Schmidt?

20 Mr. Taylor?

21 Mrs. Wood?

22 Mr. Matthews?

23 MR. MATTHEWS: Present.

24 MR. STEFANKO: Six are present, three are
25 absent, Mr. President.

1 MR. MATTHEWS: Thank you.

2 Mrs. Neiser will be by herself over here,
3 on this side.

4 MS. NEISER: Yes, it is a little lonely
5 here.

6 MR. MATTHEWS: We have three items that are
7 before us tonight and, Mr. Fellers.

8 MR. FELLERS: Thank you, Mr. Matthews.

9 You have already approved a program to do
10 Phase 2 of the Energy Lighting Efficiency Program for
11 the School District.

12 That program was an innovative approach
13 that was brought to us by NORESCO, using QZAB federal
14 interest free bonds.

15 We are here tonight to get your approval of
16 the issuance of that bonded debt by the School
17 District.

18 The three items on your agenda are, first,
19 the approval of the issuance of those bonds
20 themselves.

21 Item B is the approval to accept a grant,
22 because the QZAB bonds require a 10 percent grant to
23 the District, that will be utilized by facilities to
24 generate more energy efficiency projects within the
25 system, and then finally, to add the successful bidder

1 on the project to our list of depositories, because a
2 condition of their bid was that they retain the funds.

3 All three items are tied together, so you
4 have one roll call.

5 With that said, let me turn this over next
6 to our financial expert from Public Financial
7 Management, Chuck Matthews.

8 Chuck.

9 MR. C. MATTHEWS: Hello. Hi.

10 MR. MATTHEWS: No relation to
11 Alex Matthews.

12 MR. C. MATTHEWS: Not at all.

13 As Mr. Fellers said, my name is
14 Charles Matthews from Public Financial Management,
15 financial advisor to the School District.

16 I am very happy to report to you all that
17 you received excellent terms in financing for the
18 Qualified Zone Academy Bonds, from First Union.

19 You received two proposals. First Union
20 was the high bid, at 100 percent of par, and the cover
21 bid was listed out actually at 93 percent of par.

22 To go over the financing a little bit, the
23 bond size is 2,568,000, and in addition to that, you
24 received a private contribution of 10 percent of that
25 par value, which is \$256,800, for total proceeds of

1 about 2 million 8. In return, the School District
2 only has to pay one debt service payment at closing of
3 about a million 150.

4 And they receive 2.8 million in proceeds.

5 So it's basically like coming up with a
6 million dollars, and receiving about 2.8 million in
7 financing, for free.

8 So I think that's an excellent -- and the
9 tax credit rate, that First Union is paying, is a very
10 competitive rate.

11 So with that, I will turn it over to
12 Wayne Gerhold, the bond counsel, School District's
13 bond counsel.

14 MR. GERHOLD: Thank you.

15 My name is Wayne Gerhold, I am a partner in
16 the law firm of Thorp, Reed & Armstrong, and I am the
17 QZAB bond counsel for this transaction.

18 The resolution that I put before you, it is
19 the one with the paper clip, is a little bit different
20 than the resolutions that you usually see, because the
21 statutory authorization for this is different.

22 This financing is not done under the tax
23 exempt provisions of the tax code, but it's being done
24 under the special QZAB section of the tax code, which
25 has only gone into effect a few years ago, and you are

1 the second school district in the state to engage in
2 this transaction; Philadelphia School District had a
3 QZAB transaction that they approved last week.

4 Essentially, though, the purpose of the
5 resolution is the same as the other ones, you are
6 agreeing to comply with all of the terms and the
7 conditions of issuing a QZAB bond which, by the way,
8 that has no interest payments.

9 The interest, instead of having interest,
10 is a tax credit to First Union National Bank.

11 And you also agree to comply with the
12 requirements of the Pennsylvania Local Government Unit
13 Debt Act, which you need in order to be permitted to
14 incur debt.

15 But other than that, the effect is the
16 same.

17 And if you have any questions for me, or
18 Charles, we are available.

19 MR. MATTHEWS: All right.

20 Okay, folks. Before you is the 2000 QZAB
21 Qualified Zone Academy Bonds. We have the resolution
22 that is before us now, and are there any questions or
23 comments on this?

24 Yes, Mr. Isler.

25 MR. ISLER: Mr. Matthews, the yellow sheet

1 we have, that gives the list of schools, how are they
2 determined?

3 MR. MATTHEWS: Mr. Fellers?

4 MR. FELLERS: Charlie?

5 MR. WALLUK: Yes, we are in the process of
6 looking at all of the schools, and these gave us a
7 pretty good cross-section, and were scattered around
8 the community; the next phase will address the
9 remaining schools, that aren't part and parcel of this
10 phase right now.

11 MR. FELLERS: You may have noted on the
12 business affairs for this month, that we are
13 recommending going right into Phase 3, with the same
14 process, because it was so successful for Phase 2.

15 MR. MATTHEWS: Thank you.

16 Any other questions or comments?

17 Miss Harris.

18 MS. HARRIS: What do you mean by a
19 cross-section?

20 MR. MATTHEWS: What do you mean by what?
21 I'm sorry.

22 MS. NEISER: Cross-section.

23 MR. STEFANKO: Cross-section

24 MR. WALLUK: Well, various schools that are
25 within the community, some of them are middle, some of

1 them are elementary I believe, as part of the listing
2 here.

3 MS. HARRIS: Because -- just middle and
4 elementary?

5 MR. WALLUK: Eventually all of them will be
6 addressed as part and parcel of the Phase 3.

7 MR. FELLERS: You did have in Phase 1 some
8 high schools, as well as this administration building.
9 Also we are covering some of the high schools, both
10 Carrick and Westinghouse, not through this process,
11 but as part of their overall renovation.

12 So where schools are having a major
13 renovation, we are doing the energy efficiency under
14 that umbrella. Where the school is not having major
15 renovation, then we are picking it up through the
16 various phases of this program.

17 MS. HARRIS: So you are not talking about
18 cross-section in the community, there is no North Side
19 schools on here.

20 MR. WALLUK: There are several schools on
21 here.

22 MS. HARRIS: On here?

23 I see Chatham and Schiller.

24 MR. FELLERS: Well, at this point,
25 Mrs. Harris, this is the same list of schools that was

1 approved by the concept, and the contract was awarded;
2 if there is a problem with the schools, at the time of
3 the bond issuance is a little awkward to take that
4 into account. We will certainly take it under advice
5 in the subsequent phases, but I think that some of the
6 North Side schools were clearly involved in those
7 earlier phase projects.

8 But we are not in a position to change the
9 schools at this point in time, and we are under a
10 deadline, which is why we are having the special
11 legislation meeting, to meet the December 31
12 availability of funds. State community affairs has
13 30 days to approve this, and if we do not act tonight,
14 to do this, you will probably lose the funding.

15 MS. HARRIS: Well, I would appreciate your
16 looking into different areas, and spreading it around.

17 MR. WALLUK: As part of this next phase, as
18 Mr. Fellers has indicated, which we will also start
19 next year, we will do the remaining schools that
20 aren't currently under design.

21 MS. HARRIS: Thank you.

22 MR. MATTHEWS: Any other questions or
23 comments?

24 MR. ISLER: I have a question.

25 MR. MATTHEWS: Mr. Isler.

1 MR. ISLER: Calling for the question, for
2 the vote, please.

3 MR. MATTHEWS: All right.

4 May we have a roll call, please.

5 MR. STEFANKO: Mr. Brentley?

6 MR. BRENTLEY: Yes.

7 MR. STEFANKO: Mrs. Fink?

8 MS. FINK: Yes.

9 MR. STEFANKO: Mrs. Harris?

10 MS. HARRIS: Yes.

11 MR. STEFANKO: Mr. Isler?

12 MR. ISLER: Yes.

13 MR. STEFANKO: Mrs. Neiser?

14 MS. NEISER: Yes.

15 MR. MATTHEWS: Mr. Matthews?

16 MR. MATTHEWS: Yes.

17 MR. STEFANKO: Six in favor, none against,
18 the resolution is adopted.

19 MR. MATTHEWS: Thank you.

20 I want to thank everyone for coming here
21 for the special meeting.

22 Yes.

23 MR. FELLERS: We have a presentation.

24 MR. MATTHEWS: Another presentation?

25 MR. FELLERS: Yes.

1 Dr. Thompson. We have with us tonight
2 David Rowland, senior vice president of NORESCO, to
3 formalize the agreement that has just been approved by
4 the Board through the QZAB bonds, to present you a
5 check for the project.

6 David.

7 MR. ROWLAND: Thank you very much,
8 Dr. Thompson, Mr. Matthews.

9 MS. NEISER: Boy, that looks real.

10 MR. ROWLAND: Obviously, we appreciate the
11 opportunity to be here, and to participate in this
12 kind of a public/private partnership, that clearly has
13 a substantial impact on the facilities of the
14 District, and on the energy efficiency of this area of
15 the state as a whole.

16 So we appreciate your participation in the
17 project, and we look forward to getting you completed
18 for it.

19 DR. THOMPSON: Thank you, very much, I look
20 forward to it.

21 MR. MATTHEWS: You can come any time.

22 DR. THOMPSON: Any time.

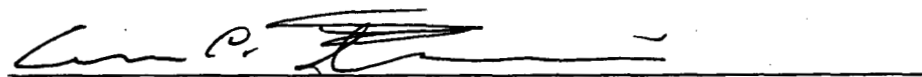
23 MR. BRENTLEY: Many times.

24 MS. NEISER: Can I take that to the bank in
25 the morning?

C-E-R-T-I-F-I-C-A-T-E

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I, Eugene C. Forcier, the undersigned, do hereby certify that the foregoing twelve (12) pages are a true and correct transcript of my stenotypy notes taken of the Legislative Meeting held in the Pittsburgh Board of Public Education, Administration Building, Board Room, on Wednesday, November 15, 2000.



Eugene C. Forcier, Court Reporter

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