File No. 120380

Committee Item No. 7
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee **Date:** April 25, 2012

Board of Supervisors Meeting **Date** _____

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Completed by: Victor Young **Date:** April 20, 2012
Completed by: Victor Young **Date:** _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

[Certificates of Participation for Various Port Projects - Not to Exceed $45,000,000]

Resolution authorizing the execution and delivery of certificates of participation evidencing an aggregate principal amount of not to exceed $45,000,000 to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain capital improvements to properties of the Port Commission of the City and County of San Francisco; authorizing the selection of a trustee by the Director of Public Finance and approving the form of a trust agreement for the certificates of participation between the City and County of San Francisco and such trustee (including certain indemnities contained therein); approving the forms of a property lease and a project lease between the City and the trustee relating to all or a portion of the real property and improvements located at 375 Laguna Honda Boulevard and all or a portion of the James R. Herman Cruise Terminal at Pier 27; approving a form of memorandum of understanding with the Port Commission of the City and County of San Francisco relating to repayment of the Certificates and other matters; approving the form of an official notice of sale and notice of intention to sell for the certificates of participation; authorizing the selection of underwriters by the Director of Public Finance and approving the form of a purchase contract between the City and the underwriters relating to the certificates of participation, if sold by negotiated sale; approving the forms of a preliminary and final official statement with respect to the certificates of participation; approving the form of a continuing disclosure certificate; approving the issuance and sale of tax-exempt certificates of participation in an aggregate principal amount not to exceed $45,000,000 following a public hearing; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and

delivery of the certificates of participation; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

WHEREAS, The Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors" or the "Board") desires to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain improvements to Piers 19, 23, 27 (the James R. Herman Cruise Terminal), 29, 30-32 and 70 and other Port property (collectively, the "Project"); and

WHEREAS, The Board desires to finance initially activities for the Project through the issuance of commercial paper under the City's commercial paper program and to apply proceeds of the certificates of participation authorized hereby (the "Certificates") to, in part, repay such commercial paper, and interest thereon; and

WHEREAS, The Board desires to cause the execution and delivery of one or more series of the Certificates to finance the Project pursuant to a trust agreement (the "Trust Agreement"), between the City and the trustee to be selected by the City as provided herein (the "Trustee"); and

WHEREAS, In connection with the execution and delivery of the Certificates, the Board desires to cause the execution of a Property Lease (the "Property Lease"), pursuant to which the City will lease to the Trustee all or a portion of the Laguna Honda Hospital and all or a portion of the James R. Herman Cruise Terminal at Pier 27 (the "Leased Property") located on certain identified real property (the "Sites") at 375 Laguna Honda Boulevard and at Pier 27, respectively, identified in the Property Lease and a Project Lease (the "Project Lease"), pursuant to which the Trustee will lease the Leased Property back to the City; and

WHEREAS, In connection with the execution and delivery of the Certificates, the Board desires to cause the execution of a Memorandum of Understanding (the

"Memorandum of Understanding"), pursuant to which the City agrees to cause the execution and delivery of the Certificates and the Port Commission of the City and County of San Francisco (the "Port") agrees to make payments to the City in amounts equal to the Base Rental payments made by the City from time to time with respect thereto; and

WHEREAS, This Board has been presented with the form of certain documents and agreements referred to herein relating to the Certificates, and the Board has examined and is approving each such document and agreement and desires to authorize and direct the execution of such documents and agreements and the consummation of such financing; and

WHEREAS, The Certificates may be sold by competitive sale pursuant to an official notice of sale and a notice of intention to sell or, in accordance with certain procedures, by negotiated sale pursuant to a purchase contract; and

WHEREAS, The interest on the portion of the Certificates (the "Private Activity Certificates") financing certain private activity portions of the Project (the "Private Activity Project") may qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") only if the Private Activity Certificates are approved in accordance with Section 147(f) of the Code); and

WHEREAS, The Private Activity Project is located wholly within the City; and

WHEREAS, The Board of Supervisors of the City (the "Board") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issue within the meaning of Section 147(f) of the Code; and

WHEREAS, The Director of Public Finance held a public hearing at 10:00 am on Wednesday, April 25, 2012, notice of which hearing was published in a newspaper of general circulation in the City in accordance with Section 147(f) of the Code, and an opportunity was provided for persons to comment on the execution and delivery the Private Activity Certificates and the plan of financing for the Private Activity Project; and

WHEREAS, The adoption of this Resolution shall constitute authorization of the Certificates within the meaning of Section 864 of the California Code of Civil Procedure and any Validation Act that is effective after this Resolution takes effect; now, therefore, be it

RESOLVED, By this Board of Supervisors of the City and County of San Francisco as follows:

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

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the execution and delivery of Property Lease, the Project Lease and the Certificates exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to its Charter and applicable law to execute and delivery the Property Lease and the Project Lease and to issue and cause the issuance of the Certificates in the manner and form provided in this Resolution.

Section 3. File Documents. The documents presented to this Board and on file with the Clerk of the Board or her designee (collectively, the "Clerk") are contained in File No. 120380.

Section 4. Authorization of the Certificates; Credit Enhancement. The Board hereby authorizes and approves the execution and delivery of the Certificates, which shall be executed and delivered in accordance with the Project Lease and the Trust Agreement, as the same are finally executed and delivered. The proceeds of the Certificates will be used to (i) fund the Project, including repayment of commercial paper or other interim financing issued by the City for such purpose; (ii) fund a reserve fund, reserve surety or other reserve fund instrument, as appropriate; (iii) fund any capitalized interest; and (iv) pay costs of issuance of the Certificates. The Certificates shall be designated as "City and County of San Francisco Certificates of Participation (Port Facilities Project)," with such other designations,

including designations for separate series and including the year of execution and delivery, as deemed appropriate by the Director of Public Finance of the City or her designee (collectively, the "Director of Public Finance").

The Certificates shall evidence an aggregate principal amount not to exceed Forty Five Million Dollars ($45,000,000), and shall evidence interest at true interest cost of not to exceed twelve percent (12%) per annum. The Certificates shall be subject to prepayment as set forth in the Project Lease and Trust Agreement. This Board authorizes the Director of Public Finance, to the extent such officer deems it necessary or advisable and in the interests of the City, to procure credit enhancement for the Certificates, including, but not limited to, municipal bond insurance or a debt service reserve fund surety bond or other reserve fund instrument.

The Board hereby authorizes the Director of Public Finance, to the extent such officer deems it necessary or advisable and in the interests of the City, to cause the execution and delivery of the Certificates (i) with tax-exempt or taxable rates or (ii) under federal tax law provisions, if any, which provide for federal grants or credits to or for the benefit of the City in lieu of tax-exemption of interest or (iii) as "qualified private activity bonds" and to publish any notices and conduct any public hearings in connection therewith.

The approval of the Certificates contained herein shall also be approval pursuant to Section 147(f) of the Code.

Section 5. Approval of the Trust Agreement; Authorization of Selection of Trustee. The form of the Trust Agreement between the City and the Trustee, as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City or his designee (collectively, the "Mayor") is hereby authorized to execute the Trust Agreement, and the Clerk, is hereby authorized to attest to and affix the seal of the City on

the Trust Agreement, with such changes, additions and modifications as the Mayor may make or approve in accordance with Section 18 hereof.

The Director of Public Finance is hereby authorized to select the Trustee in accordance with City policies and procedures, including but not limited to the City's policy to provide locally disadvantaged business enterprises an equal opportunity to participate in the performance of all City contracts.

Section 6. Approval of the Property Lease. The form of the Property Lease between the City and the Trustee, as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor is hereby authorized to execute the Property Lease, and the Clerk, is hereby authorized to attest to and affix the seal of the City on the Property Lease, with such changes, additions and modifications as the Mayor may make or approve in accordance with Section 18 hereof.

Section 7. Approval of the Project Lease; Approval of Base Rental. The form of the Project Lease between the City and the Trustee, as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor is hereby authorized to execute the Project Lease, and the Clerk is hereby authorized to attest and to affix the seal of the City on the Project Lease with such changes, additions and modifications as the Mayor may make or approve in accordance with Section 18 hereof; provided, however, that the maximum Base Rental (as defined in the Project Lease) scheduled to be paid under the Project Lease in any fiscal year shall not exceed Three Million Five Hundred Thousand Dollars ($3,500,000) and the stated term of the Project Lease shall not have an initial term that extends beyond the 35th year following its date of execution, as such initial term may be extended in accordance with the Project Lease.

Section 8. Approval of the Sites and the Leased Property. The Board hereby approves of the leasing, pursuant to the Property Lease and the Project Lease, of all or a

portion of the following Sites and Leased Property: (i) the Laguna Honda Hospital at 375 Laguna Honda Boulevard in the City, and (ii) the James R. Herman Cruise Terminal located at Pier 27 in the City, all as identified in the Property Lease and the Project Lease. The Board also hereby approves the payment by the City of the Base Rental under the Project Lease with respect to the Leased Property.

Section 9. Approval of Memorandum of Understanding. The form of the Memorandum of Understanding between the Port Commission and the Controller of the City or his designee (the "Controller"), acting through the City's Director of Public Finance, as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Controller is hereby authorized to execute the Memorandum of Understanding with such changes, additions and modifications as the Controller may make or approve in accordance with Section 18 hereof.

Section 10. Sale and Award of Certificates. The Director of Public Finance, on behalf of the Controller, is hereby authorized to receive bids for the purchase of the Certificates, and the Controller is hereby authorized and directed to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City, all in accordance with the procedures described in the Official Notice of Sale (as defined below).

Section 11. Approval of Form of Official Notice of Sale. The form of an official notice of sale relating to each Series of the Certificates (an "Official Notice of Sale"), as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Director of Public Finance is hereby authorized to approve the distribution of one or more Official Notices of Sale for the Certificates, with such changes, additions and modifications as the Director of Public Finance may make or approve upon consultation with the City Attorney.

Section 12. Approval of Notice of Intention to Sell Relating to the Certificates. The form of a notice of intention to sell relating to each Series of the Certificates (a "Notice of

Intention to Sell"), as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Director of Public Finance is hereby authorized to approve the publication of one or more Notices of Intention to Sell relating to the Certificates, with such changes, additions and modifications as the Director of Public Finance may make or approve upon consultation with the City Attorney.

Section 13. Approval of Purchase Contract; Sale of Certificates by Negotiated Sale. In the event the Director of Public Finance determines to sell the Certificates by negotiated sale, the Director of Public Finance shall select one or more investment banking firms to act as underwriters for the Certificates in accordance with City policies and procedures, including, but not limited to, the City's policy to provide locally disadvantaged minority business enterprises and women enterprises an equal opportunity to participate in the performance of all City contracts.

The form of a purchase contract relating to the Certificates (a "Purchase Contract"), as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Controller and any Deputy Controller is hereby authorized to execute one or more the Purchase Contracts with such changes, additions and modifications as the officer executing the same may make or approve in accordance with Section 18 hereof, provided that the underwriters' compensation payable thereunder shall not exceed one percent (1%) of the principal amount of the Certificates.

Section 14. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Certificates (the "Official Statement"), as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Director of Public Finance is hereby authorized to prepare and cause the preparation of the Preliminary and final Official Statements, for distribution to prospective investors, in substantially said form, with such changes, additions and modifications as the Director of

Public Finance may make or approve upon consultation with the City Attorney and the City's Disclosure Counsel, such that the Preliminary and final Official Statements are accurate and complete in all material respects for the purposes for which they are provided. The Director of Public Finance is hereby authorized to cause to be printed and mailed, and distributed electronically, to prospective purchasers, copies of the Preliminary Official Statement and the final Official Statement.

The Controller is hereby authorized to cause the distribution of the Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Controller is hereby further authorized to sign the Official Statement in final form.

Section 15. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate of the City, as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Controller is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions and modifications as the Controller may make or approve upon consultation with the City Attorney.

Section 16. Approval of Private Activity Certificates Following a Public Hearing. This Board hereby approves the execution and delivery of Private Activity Certificates in an amount not to exceed Forty Five Million Dollars ($45,000,000). It is the purpose and intent of this Board that this Resolution constitute approval of the execution and delivery of the Private Activity Certificates by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Private Activity Project is located for the purposes of and in accordance with Section 147(f) of the Code.

Section 17. General Authority. The Mayor, the City Attorney, the Controller, the City Administrator, the Director of Public Finance, the Clerk and other officers of the City and their duly authorized deputies, designees and agents are hereby authorized and directed,

jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to accomplish the purposes of this Resolution, including but not limited to the execution and delivery of the Certificates, the Trust Agreement, the Property Lease, the Project Lease, the Memorandum of Understanding, to obtain bond insurance or other credit enhancements with respect to the Certificates.

Section 18. Modifications, Changes and Additions. The Mayor, the Controller and the Director of Public Finance each are hereby authorized to make such modifications, changes and additions to the documents and agreements approved hereby, upon consultation with the City Attorney, as may be necessary or desirable and in the interests of the City, and which changes do not materially increase the obligations of the City or reduce its rights under such documents and agreements. The respective official's approval of such modifications, changes and additions shall be conclusively evidenced by the execution and delivery, distribution or publication thereof, as appropriate, by such official.

Section 19. Official Declaration Regarding Reimbursement. The City hereby declares that it reasonably expects (i) to pay certain costs of the Project prior to the date of execution and delivery of the Certificates and (ii) to use a portion of the proceeds of the Certificates for reimbursement of expenditures for the Project that are paid before the date of execution and delivery of the Certificates.

Section 20. Environmental and Planning Approvals. This Board confirms that all required environmental and planning approvals for the Project have been obtained.

Section 21. Ratification of Prior Actions. All actions authorized and approved by this Resolution but heretofore taken are hereby ratified, approved and confirmed by this Board.

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: Kenneth David Roux for
MARK D. BLAKE
Deputy City Attorney

Item 7 File 12-0380	**Departments:** Office of Public Finance (OPF), Port

EXECUTIVE SUMMARY

Legislative Objective

The proposed resolution would (1) authorize the sale and delivery of Certificates of Participation (COPs) in an aggregate principal amount of not to exceed $45,000,000 to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain capital improvements to properties of the Port Commission; (2) authorize the selection of a trustee by the City's Director of Public Finance and approve the form of a trust agreement for the COPs between the City and the trustee (including certain indemnities contained therein); (3) approve the forms of a property lease and a project lease between the City and the trustee for the COPs (4) approve the form of a memorandum of understanding (MOU) between the Port Commission and the City for the repayment of the COPs and other related matters; (5) approve the form of an official notice of sale and notice of intention to sell for the COPs; (6) authorize the selection of underwriters by the City's Director of Public Finance and approving the form of a purchase agreement between the City and the underwriters relating to the COPs, if sold by negotiated sale; (7) approve the forms of a preliminary and final official statement with respect to the COPs; (8) approve the form of a continuing disclosure certificate; (9) approve the issuance and sale of COPs (either on a tax-exempt or taxable basis) in an aggregate principal amount not to exceed $45,000,000 following a public hearing; (10) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the COPs; (11) approve modifications to documents and agreements; and (12) ratify previous actions taken in connection with the proposed project.

Key Points

- The proposed resolution would authorize the City to issue up to $45,000,000 in COPs, on behalf of the Port, to fund Port infrastructure improvements, including (a) improvements required by the Lease Disposition Agreement (LDA) between the City and the America's Cup Event Authority for the 34th America's Cup, and (b) phase one of the Pier 27 Cruise Terminal project. These projects will be funded with a combination of the COPs proceeds and Port funding, as discussed in Item 6, File 12-0379, also being considered by the Budget and Finance Committee of the Board of Supervisors.
- Based on current cost estimates, project schedules, and market conditions, the City's Office of Public Finance expects to issue $38,460,000 of COPs, which would provide $34,609,304 of project funding and $3,850,696 for related COPs expenses. The $3,850,696 in related COPs expenses includes $2,906,360 for a debt service reserve and $944,336 for other debt issuance costs. The balance of $6,540,000 ($45,000,000 less $38,460,000) allows for variations in potential interest rates and market conditions prior to the proposed COPs issuance in July 2012, in accordance with Office of Public Finance policies.
- Under the proposed resolution, the Office of Public Finance would have the authority to sell the COPs by either a competitive or negotiated sale, subject to the Director of Public Finance's determination that a negotiated sale will result in the lowest borrowing cost to the City. According to Ms. Nadia Sesay, Director of Public Finance, the COPs are anticipated to be sold on a competitive basis.

- The City, rather than the Port, is selling the COPs because the City has a higher credit rating, which will result in a lower interest rate and lower total interest payments over the 30-year term of the COPs. The City will secure the COPs with City-owned assets through a lease agreement with a third party trustee. Under the proposed resolution, a portion of Laguna Honda Hospital, which is the City asset that possesses the necessary value to secure the COPs, would be used as collateral. According to the Office of Public Finance, the Pier 27 Cruise Terminal would replace Laguna Honda Hospital as collateral once construction of the Pier 27 Cruise Terminal is completed.
- The City would lease the City property used as collateral back from the third-party trustee. The annual lease payments made by the City to the third-party trustee would repay the holders of the COPs, with total lease payments over the 30-year term of the COPs equal to total principal and interest owed on the COPs. While the City's General Fund secures the COPs, and is liable for such COPs in the event of a Port default, actual annual lease payments are to be paid from Port revenues and not from General Fund revenues.
- Prior to issuance of the COPs in approximately July 2012, the Office of Public Finance will use short-term debt, in accordance with the City's Commercial Paper program, to fund the infrastructure projects.

Fiscal Impact

- According to the Office of Public Finance, the total cost to the City over the 30-year term of the COPS is $71,211,617, including $38,460,000 for project costs and issuing expenses, and $32,751,617 for total estimated interest payments. The average annual debt service cost of the COPs, paid by Port revenues, is approximately $2,410,322 per year, over 30 year period.
- The Port provided financial projections through 2042 that demonstrate the capacity of the Port to pay the Port's existing debt on its 2010 Port revenue bonds, as well as to pay for the debt service on the proposed COPs. Based on the documentation provided by the Port, the Budget and Legislative Analyst agrees that the Port's projections of revenuesa re sufficient to pay for the Port's expenditures, including the debt service on the existing 2010 Port revenue bonds and the proposed COPs.

Recommendation

Approve the proposed resolution.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

According to San Francisco Charter Section 9.118, any agreement with a term of more than ten years or expenditures of more than $10,000,000 is subject to approval by the Board of Supervisors. The proposed issuance of $45,000,000 in Certificates of Participation requires the City to enter into an agreement which exceeds ten years and $10,000,000.

Background

The Board of Supervisors approved the Lease Disposition Agreement (LDA) between the City and the America's Cup Event Authority on March 27, 2012, which requires the Port to construct infrastructure improvements for the 34th America's Cup (File 12-0127). Under the LDA, the Port must construct improvements to Piers 30-32 and other Port properties, mitigate environmental impacts, and complete Phase I of the Pier 27 Cruise Terminal project in time for the 34th America's Cup sailing events, which are scheduled to begin in August 2012, with the final sailing competition to be held in August 2013.

The Port is proposing to fund the infrastructure improvements with a combination of Certificates of Participation (COPs) to be sold by the City and Port funding, as detailed Item 6, File 12-0379, also being considered by the Budget and Finance Committee of the Board of Supervisors. The proposed resolution would authorize the sale by the City of $45,000,000 in COPs to partially fund the needed infrastructure improvements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) authorize the sale and delivery of Certificates of Participation (COPs) in an aggregate principal amount of not to exceed $45,000,000 to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain capital improvements to properties of the Port Commission; (2) authorize the selection of a trustee by the City's Director of Public Finance and approve the form of a trust agreement for the COPs between the City and the trustee (including certain indemnities contained therein); (3) approve the forms of a property lease and a project lease between the City and the trustee for the COPs (4) approve the form of a memorandum of understanding (MOU) between the Port Commission and the City for the repayment of the COPs and other related matters; (5) approve the form of an official notice of sale and notice of intention to sell for the COPs; (6) authorize the selection of underwriters by the Director of Public Finance and approving the form of a purchase agreement between the City and the underwriters relating to the COPs, if sold by negotiated sale; (7) approve the forms of a preliminary and final official statement with respect to the COPs; (8) approve the form of a continuing disclosure certificate; (9) approve the issuance and sale of COPs (either on a tax-exempt or taxable basis) in an aggregate principal amount not to exceed $45,000,000 following a public hearing; (10) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the COPs; (11) approve modifications to documents and agreements; and (12) ratify previous actions taken in connection with the proposed project.

The proposed sale of the COPs by the City, in an amount not to exceed $45,000,000, would be used to finance the costs of various facilities and improvements under the jurisdiction of the Port, including facilities expected to be used as venues for the 34th America's Cup events. Specifically, the Port has identified the following improvements to certain Port properties:

(a) America's Cup projects, which include (1) repairs to the south apron for public access on Pier 19, (2) installation of a handrail on Pier 23 for public safety, (3) various improvements to Piers 30-32, including repairs to the marginal wharf, emergency vehicle access improvements, and

various other improvements extending the useful life of portions of the facility from ten to 30 years;

(b) Construction of a primary cruise terminal at Pier 27 to replace the existing primary terminal at Pier 35; and

(c) Installation of a shoreside power project consisting of the construction of a 12 megawatt power system to serve ships berthing in the drydock at Pier 70.

Based on current cost estimates, project schedules, and market conditions, the City's Office of Public Finance expects to issue $38,460,000 of COPs, which would provide approximately $34,609,304 of project funding for the Port's infrastructure improvements, and $3,850,696 for related COP expenses, as shown in Table 1 below.

Table 1: Anticipated Sources and Uses of Certificates of Participation Proceeds

	Series A	Series B	Aggregate
Sources			
Par Amount	$4,510,000	$33,950,000	$38,460,000
Total Sources	**$4,510,000**	**$33,950,000**	**$38,460,000**
Uses			
Project Funding			
America's Cup Projects	$4,056,900	$3,803,644	$7,860,544
Cruise Terminal Pier 27		21,048,760	21,048,760
Shoreside Power		5,700,000	5,700,000
Subtotal - Project Fund	**4,056,900**	**30,552,404**	**34,609,304**
Related COP Expenses			
Debt Service Reserve	340,813	2,565,547	2,906,360
Other Cost of Issuance	78,462	577,424	655,886
Other Underwriter's Discount	33,825	254,625	288,450
Subtotal - Related COP Expenses	**453,100**	**3,397,596**	**3,850,696**
Total Uses	**$4,510,000**	**$33,950,000**	**$38,460,000**

Source: Office of Public Finance

The Office of Public Finance does not anticipate issuing the proposed COPs until July 2012 (see "Short Term Financing through Commercial Paper" section below). The proposed not-to-exceed amount of $45,000,000, which is $6,540,000 greater than $38,460,000 amount shown in Table 1 above, allows for variations in potential interest rates and market conditions between now and July 2012, in accordance with the policies of the Office of Public Finance.

Under the proposed resolution, the Director of Public Finance would have the authority to sell the COPs by either a competitive or negotiated sale, subject to the Director of Public Finance's determination that a negotiated sale will result in the lowest borrowing cost to the City. According the Office of Public Finance, the COPS are anticipated to be sold on a competitive basis.[1]

[1] According to Ms. Nadia Sesay, Director of Public Finance, since the City is the issuer of the COPs, the City can sell the bonds competitively; however, if the Port were the issuer, the transaction would be sold via negotiated sale because the Port is not a frequent issuer. The Office of Public Finance wanted the flexibility to pursue a negotiated sale if market conditions dictate.

The Office of Public Finance expects to sell two series of COPs, Series 2012A and Series 2012B.

- Series 2012A are tax-exempt COPs for projects that are for public use. According to the Director of Public Finance, governmental entities such as the City, generally issue obligations financing public facilities that are characterized by the Internal Revenue Code as publicly available, or facilities that qualify for public use, and interest received by owners of obligations, such as COPs, is excluded from gross income for federal income tax purposes. Under the Internal Revenue Code (IRC), Series 2012A COPs, which will finance projects, such as the public spaces on Piers 19 and 23, are exempt from the IRC alternative minimum tax, or AMT.

- Series 2012B are COPs for infrastructure projects that may have some private use, and therefore, may not be completely exempt from federal income taxation under the Internal Revenue Code. According to the Director of Public Finance, enterprise departments may issue obligations that finance facilities that are identified as not publicly available and are characterized as private activity bonds.[2]The interest on such private activity bonds may be subject to the AMT.[3]The City's Bond Counsel has determined that interest with respect to the Series 2012B COPs is subject to the alternative minimum tax, or AMT under Section 57(a)(5)(C) of the IRC.

Additionally, the proposed resolution provides the authority to issue Taxable Series 2012C if necessary due to the facilities qualifying as certain private use according to the IRC.[4]

Lease of City Property

Under the proposed resolution, the City would lease City-owned property to a third-party trustee to secure the COPs financing. The lease would be in effect from the issuance of the COPs for approximately 30 years, or through approximately 2042, while the COPs remain outstanding. Under the proposed resolution, the City would lease the City property back from the third-party trustee in consideration for annual lease payments due from the City to holders of the COPs that

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[2] According to the Office of Public Finance, under Federal tax law, private activity bonds are bonds of which more than 10 percent or more of the proceeds are used in the trade or business for nongovernmental purpose and 10 percent or more of the debt service is secured by or derived from the property used in the trade or business for nongovernmental purpose, or five percent or more of the proceeds are loaned for nongovernmental purpose. However, Section 142 of the IRC permits the issuance of certain types of qualified private activity bonds, most of which are subject to AMT. Examples of these types of bonds are bonds issued for docks and wharves, airports, multifamily housing, stadiums, etc.

[3] Interest on the private activity bonds is tax exempt only if certain requirements of Section 141 and 142 of the IRC are satisfied. According to the Office of Public Finance, a taxpayer (or an owner of the obligation(s)) is either subject to alternative minimum tax (AMT) or not subject to AMT, therefore in consultation with Tax Counsel, it was determined that Series 2012A which will finance public improvements to the Piers 19 & 23 are tax-exempt and interest with respect to the Series 2012A is not subject to AMT (or non-AMT). The Series B is subject to AMT because these are for improvements for non-governmental purpose, and are qualified private activity bonds.

[4] Series 2012B are qualified private activity bonds and subject to AMT. If there are additional uses that are considered private (non-governmental) and do not qualify under the qualified activity bond exception in Sections 141 and 142 of the IRC, then Series 2012C (Taxable) would need to be issued for those improvements. Because the Port is still working through the intended long term uses of some of the property being improved through the issuance of COPs, it is necessary to have the flexibility to issue Series 2012C COPs. For example, a vendor leasing space on Port property that is not a dock and wharf use (such as parking lot) would be considered a non-qualified private use therefore necessitating taxable debt.

are equal to the amounts required to amortize the repayment for debt revenue on the COPs. During the life of the proposed lease, the City would make lease payments to the trustee two times per year. The City's General Fund secures the City's covenants and obligations for the life of the COPs and is liable for the debt in the event of a Port default, although Port revenues would be used to make the lease payments. Under the proposed resolution, the Director of Public Finance would have the authority to select the third-party trustee, to be selected based on the lowest fees and other considerations through a competitive Request for Proposal (RFP).

The leased property securing the COPs is expected to have a fair market value approximately 125 percent of the COPs outstanding, or approximately $48,075,000 (125 percent times the $38,460,000, shown in Table 1 above). According to the Office of Public Finance, to facilitate the financing, the proposed resolution encumbers Pier 27 James R. Herman Cruise Terminal and a portion of the Laguna Honda Hospital known as the South Residence located at 375 Laguna Honda Boulevard. According to the Office of Public Finance, the Laguna Honda Hospital South Residence was selected because it was determined to be the City asset possessing the necessary value to support the transaction. According to the Office of Public Finance, the Laguna Honda Hospital South Residence will be used to initially secure the COPs, but the Cruise Terminal at Pier 27 will replace the Laguna Honda Hospital asset as collateral after construction of the Cruise Terminal is complete.

Lease Payments

The Office of Public Finance anticipates structuring the COPs with lease payments due from the City twice a year during the life of the COPs, commencing in March 2013. Payments would be made from Port, rather than General Fund, revenues.

According to lease payment (or debt service) estimates provided by the Office of Public Finance, the fiscal year net lease payments on the COPs would average approximately $2,410,322. The total estimated COPs par amount of $38,460,000 is estimated to result in approximately $32,751,617 in net interest payments over the life of the COPs.

Debt Service Fund

As shown in Table 1 above, the debt service reserve is $2,906,360. As discussed above, the proposed resolution requires lease (or debt service) payments to be deposited in the debt service fund maintained by the third-party trustee. Commencing March 1, 2013 and semi-annually thereafter, the trustee will apply such amounts as is necessary to make lease payments with respect to the COPs.

According to the Office of Public Finance, the debt service reserve of $2,906,360 is a special fund from which monies can be drawn to make lease payments if the issuer is otherwise unable to make the lease payments. The Office of Public Finance reports that a typical reserve fund would be an amount equal to maximum annual debt service payments, but not to exceed 10 percent of the original principal amount.

Short Term Financing through Commercial Paper

If the proposed resolution is approved by the Board of Supervisors, the Office of Public Finance expects that the COPs will be issued in July 2012. According to the Office of Public Finance, the City's Commercial Paper program would be used to finance any costs, including preliminary design, planning, and permitting costs for the infrastructure projects, incurred between the approval of the proposed resolution and the issuance of the COPs. The Commercial Paper would be repaid by COPs proceeds. The debt revenue on the COPs will be repaid from Port revenues.

According to the Office of Public Finance, the planned use of Commercial Paper is in accordance with the City's Commercial Paper program, previously approved by the Board of Supervisors on April 6, 2010 (File 10-0269). The Office of Public Finance notes, "Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred."

Memorandum of Understanding between the City and the Port

According to Office of Public Finance, in accordance with the memorandum of understanding (MOU) between the City and the Port, the City and the Port agree that 1) the COPs are the most efficient manner to structure the financing in order to achieve the Port's objectives; 2) the COPs will not be sold or delivered without the Port's acknowledgement and agreement that the Port will submit for approval by the Board of Supervisors and the Mayor a budget for each fiscal year that includes funding for all costs of lease payments, additional rent, and other obligations due in connection with the COPs; and 3) the Port's obligations under the MOU are and will be expressly subordinate to any Port revenue bonds.[5]

FISCAL IMPACTS

The proposed resolution calls for the issuance of up to $45,000,000 in Certificates of Participation (COPs). As noted above, the Office of Public Finance currently estimates that $38,460,000 (see Table 1 above) would actually be issued, based on current project costs and market conditions.

The Office of Public Finance reports that based on conservative estimates, the total debt service cost of the proposed COPs would be $71,211,617, including $38,460,000 for project costs and issuing expenses, as shown in Table 1 above, and $32,751,617 for total estimated interest payments. According to Ms. Nadia Sesay of the Office of Public Finance, the total annual interest costs assume an average annual interest rate of 5.35 percent on the COPs.[6] The average cost of the COPs to the Port would be approximately $2,410,322 per year, over a 30 year period, with payments starting in FY 2012-13. The Attachment provided by the City's Office of Public Finance shows that the total estimated debt service of $71,211,617 for the proposed COPs.

---

[5] According to the Office of Finance, the Port issued $36,650,000 in Revenue Bonds to finance the design, construction, reconstruction, repair and/or improvements to various facilities of the Port on February 3, 2010. In connection with the delivery of the Port's revenue bonds, the Port Commission agreed that it will maintain rentals, rates, fees and charges so that net revenue in each fiscal year will be at least equal to 130 percent of annual debt service on the revenue bonds for such fiscal year.

[6] According to Ms. Nadia Sesay of the Office of Public Finance, interest rates for Series 2012B are higher because they are subject to AMT as opposed to completely tax-exempt; additionally, taxable bonds (Series 2012C) have higher interest rates than AMT bonds.

According to the Port and the Office of Public Finance, Port revenues will be sufficient to repay the proposed COPs. The Port provided financial projections through 2042 that demonstrate the capacity of the Port to pay the Port's existing debt on the Port's 2010 revenue bonds and the debt service on the proposed COPs. As noted above, the Port's obligations for the proposed COPs are subordinate to any Port revenue bonds.

Based on the documentation provided by the Port, the Budget and Legislative Analyst agrees that the Port's projections of revenues are sufficient to pay for the Port's expenditures, including debt service on the existing 2010 Port revenue bonds and the proposed COPs.

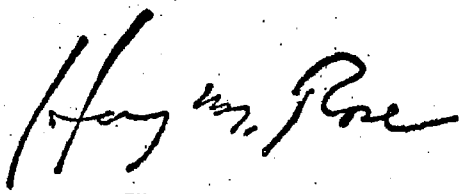
POLICY CONSIDERATION

The Port's Charter Authority to Issue Revenue Debt

The City Charter provides the Port with the authority to issue revenue bonds, which was exercised in 2010 with a debt issuance of $36,650,000 in such Port revenue bonds. However, under the proposed resolution, the City, not the Port, would sell the COPs. According to the Port and the Office of Public Finance, the City's COPs issuance is preferable because the City has a higher credit rating than the Port.[7] According to the Port, the City's higher credit rating would improve the pricing of the COPs by approximately 25 basis points, reducing interest costs by approximately $1,000,000 over the 30-year term of the COPs.

RECOMMENDATION

Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Chu
Supervisor Avalos
Supervisor Kim
President Chiu
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Olague
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller
Kate Howard

[7] The City and County of San Francisco's COP ratings are A1/AA-/A+ by Moody's, Standards & Poor's and Fitch respectively. The Port's revenue bond ratings are A1/A-/A by Moody's, Standards & Poor's and Fitch respectively.

BOND DEBT SERVICE BREAKDOWN

City and County of San Francisco
2012 Certificates of Participation
(Port of San Francisco Projects)

Period Ending	2012 Series A (Non-AMT)	2012 Series B (AMT / Private Activity)	Total
06/30/2013	247,224.25	2,291,930.87	2,539,155.12
06/30/2014	280,150.50	2,619,094.50	2,899,245.00
06/30/2015	283,790.50	2,622,569.50	2,906,360.00
06/30/2016	282,035.50	2,616,447.00	2,898,482.50
06/30/2017	279,965.50	2,620,787.00	2,900,752.50
06/30/2018	282,652.50	2,620,757.00	2,903,409.50
06/30/2019	279,916.50	2,620,797.50	2,900,714.00
06/30/2020	281,876.50	2,620,248.50	2,902,125.00
06/30/2021	283,416.50	2,614,498.50	2,897,915.00
06/30/2022	279,552.50	2,613,813.50	2,893,366.00
06/30/2023	280,468.00	1,847,793.50	2,128,261.50
06/30/2024	281,002.00	1,847,414.00	2,128,416.00
06/30/2025	281,183.50	1,844,811.50	2,125,995.00
06/30/2026	280,999.50	1,844,843.50	2,125,843.00
06/30/2027	280,462.00	1,847,399.50	2,127,861.50
06/30/2028	279,599.00	1,847,307.50	2,126,906.50
06/30/2029	283,402.50	1,849,503.50	2,132,906.00
06/30/2030	281,660.00	1,848,831.50	2,130,491.50
06/30/2031	279,595.00	1,845,237.50	2,124,832.50
06/30/2032	282,217.00	1,848,763.00	2,130,980.00
06/30/2033	279,264.00	1,848,718.00	2,127,982.00
06/30/2034	280,713.00	1,848,439.00	2,129,152.00
06/30/2035	281,659.00	1,844,764.00	2,126,423.00
06/30/2036	282,102.00	1,847,693.00	2,129,795.00
06/30/2037	282,042.00	1,846,660.00	2,128,702.00
06/30/2038	281,479.00	1,846,665.00	2,128,144.00
06/30/2039	280,347.00	1,847,005.00	2,127,352.00
06/30/2040	278,709.00	1,847,793.00	2,126,502.00
06/30/2041	281,565.00	1,848,744.50	2,130,309.50
06/30/2042	283,662.00	1,849,575.00	2,133,237.00
	8,402,711.25	62,808,905.37	71,211,616.62

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 APR 17 PM 4:03

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: for Mayor Edwin M. Lee

RE: Certificates of Participation for Various Port Projects – Not to Exceed $45,000,000

DATE: April 17, 2012

Attached for introduction to the Board of Supervisors is the resolution authorizing the execution and delivery of certificates of participation evidencing an aggregate principal amount of not to exceed $45,000,000 to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain capital improvements to properties of the Port Commission of the City and County of San Francisco; authorizing the selection of a trustee by the Director of Public Finance and approving the form of a trust agreement for the certificates of participation between the City and County of San Francisco and such trustee (including certain indemnities contained therein); approving the forms of a property lease and a project lease between the City and the trustee relating to all or a portion of the real property and improvements located at 375 Laguna Honda Boulevard and all or a portion of the James R. Herman Cruise Terminal at Pier 27; approving a form of memorandum of understanding with the Port Commission of the City and County of San Francisco relating to repayment of the Certificates and other matters; approving the form of an official notice of sale and notice of intention to sell for the certificates of participation; authorizing the selection of underwriters by the Director of Public Finance and approving the form of a purchase contract between the City and the underwriters relating to the certificates of participation, if sold by negotiated sale; approving the forms of a preliminary and final official statement with respect to the certificates of participation; approving the form of a continuing disclosure certificate; approving the issuance and sale of tax-exempt certificates of participation in an aggregate principal amount not to exceed $45,000,000 following a public hearing; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the certificates of participation; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

Please note this item is cosponsored by Supervisors Chiu and Chu.

I request that this item be calendared in Budget and Finance Sub-Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor David Chiu
Supervisor Carmen Chu

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

120380

TRUST AGREEMENT

between the

CITY AND COUNTY OF SAN FRANCISCO

and

_____,
as Trustee

Dated as of July 1, 2012

Relating to:

$_____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2012A
(Port Facilities Project)

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2012B
(Port Facilities Project)

and

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
TAXABLE SERIES 2012C
(Port Facilities Project)

** Complete copy of document is located in

File No. 120380

29137-31 JH:SM:mwk *Agenda*

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Mark Blake

PROPERTY LEASE

Between the

CITY AND COUNTY OF SAN FRANCISCO,
as Lessor

and

_____,
as Lessee

Dated as of July 1, 2012

NO DOCUMENTARY TRANSFER TAX

This Property Lease is exempt pursuant to Section 6103 of the California Government Code.

** Complete copy of document is located in

File No. 120380

29137-31 JH:SM:mwk *Agenda*

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Mark Blake

PROJECT LEASE

between

_____,
as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of July 1, 2012

NO DOCUMENTARY TRANSFER TAX DUE

This Project Lease is exempt pursuant to Section 27383
of the California Government Code.

** Complete copy of document is located in

File No. 120380

L&J DRAFT #1
4/3/12

$_____

CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION (Port Facilities Project), SERIES 2012A	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION (Port Facilities Project), SERIES 2012B

CITY AND COUNTY OF SAN FRANCISCO
TAXABLE CERTIFICATES OF PARTICIPATION
(Port Facilities Project),
SERIES 2012C

PURCHASE CONTRACT

_____, 20__

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned _____, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into this agreement (the "Purchase Contract") with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the execution and delivery of this Purchase Contract by the City to the Representative, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Certificates (as hereinafter defined) is otherwise terminated pursuant to Section 10 hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the City shall be free to sell the Certificates to any other party.

** Complete copy of document is located in

File No. 120380

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: ___
S&P: ___
Fitch: ___
(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Special Counsel to the City, subject, however to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, except, with respect to the 2012B Certificates, during any period while a 2012B Certificate is held by a "substantial user" of the facilities financed by the 2012B Certificates or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. With respect to the 2012A Certificates, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. With respect to the 2012B Certificates, however, such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest with respect to the Taxable 2012C Certificates is not excluded from gross income for federal income tax purposes. In the further opinion of Co-Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes. See "TAX MATTERS" herein.

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION

$_____*	$_____*	$_____*
SERIES 2012A	**SERIES 2012B**	**TAXABLE SERIES 2012C**
(Port Facilities Project)	**(Port Facilities Project)**	**(Port Facilities Project)**
(Non-AMT)	**(AMT)**	

evidencing proportionate interests of the Owners thereof in a Project Lease, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery **Due: [September] 1, as shown on the inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The City and County of San Francisco Certificates of Participation Series 2012A (Port Facilities Project) (the "2012A Certificates"), the City and County of San Francisco Certificates of Participation Series 2012B (Port Facilities Project) (the "2012B Certificates"), and the City and County of San Francisco Certificates of Participation Taxable Series 2012C (Port Facilities Project) (the "2012C Certificates," and together with the 2012A Certificates and the 2012B Certificates, the "Certificates") will be sold to provide funds: (i) for the acquisition, construction, reconstruction, equipping and improvement and rehabilitation of certain facilities (as described herein, the "Project"), to be operated by the Port Commission of the City and County of San Francisco (the "Commission"), (ii) to fund the 2012A Reserve Account, the 2012B Reserve Account and the 2012C Reserve Account of the Reserve Fund established under the Trust Agreement (as defined hereafter), and (iii) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2012 (the "Trust Agreement"), between the City and County of San Francisco (the "City") and [Name of Trustee], as trustee (the "Trustee"), and in accordance with the Charter of the City. See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease dated as of July 1, 2012 (the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the land and facilities subject to the Project Lease (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on [March] 1 and [September] 1 of each year, commencing [September 1, 2012]. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to their scheduled payment of principal as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY WILL BE OBLIGATED TO MAKE BASE

* Preliminary, subject to change.

** Complete copy of document is located in

File No. 120380

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of April 1, 2012.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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** Complete copy of document is located in

File No. 120380

4-7-12v2 Jones Hall Draft

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "MOU"), dated for reference purposes only as of May __, 2012, is entered into by and among the San Francisco Port Commission (the "Port"), a commission duly constituted under the Charter of the City and County of San Francisco (the "City"), and the San Francisco Controller (the "Controller"), acting through the City's Director of Public Finance or her designee (the "Director").

RECITALS

A. The Port desires to finance the acquisition, construction and installation of certain improvements to Piers 19, 23, 27, 29, 30-32 and 70 and other Port property that will be used as venues for the 34th America's Cup events (collectively, the "Project").

B. The Director and the Port wish to document their mutual understanding with respect to the execution of a lease agreement (the "Project Lease") by and between the City and a corporate trustee and the execution and delivery of certificates of participation ("COPs") in connection therewith, all for the purpose of financing a portion of the Project (the "Financing").

C. The COPs will evidence the obligation of the City under the Project Lease to make certain lease payments (the "Base Rental") from its General Fund. The City will also be obligated under the Project Lease to pay "Additional Rental" (together, Base Rental and Additional Rental constitute "Rental Payments" under the Project Lease). The Director and the Port agree that the Financing described above will be the most efficient way to finance the Project.

D. The Port acknowledges and agrees that the City would not agree to execute the Project Lease or to cause execution and delivery of the COPs without the undertaking by the Port to budget such amounts as necessary to offset the costs of the COPs on the City's General Fund, as further described in this MOU.

E. Section B7.320 of the City's Charter authorizes the Mayor to submit to the Board of Supervisors (the "Board") for approval a memorandum of understanding between the Port and another department of the City, approved by the Port by resolution, that requires the department to expend funds or requires the Port to transfer funds to the department.

F. Because the Project is a Port undertaking, the Director and the Port now wish to enter into this MOU to establish their mutual expectation that the Port will undertake to budget for each fiscal year such amounts as are necessary to pay the costs of the Financing over the life of the Project Lease and the COPs, including amounts to offset Rental Payments under the Project Lease, and any other costs of financing or refinancing the Project.

NOW, THEREFORE, IN CONSIDERATION of the foregoing, the Port and the Director hereby agree as follows:

AGREEMENT

** Complete copy of document is located in

File No. 120380

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference.

2. **Payment of COP Payments.** The Port hereby acknowledges and agrees that it will submit a budget for each fiscal year for approval by the Board and Mayor of the City that includes amounts for direct payments by the Port or reimbursement by the Port of the City for "COP Payments," which term is defined to include all obligations incurred by the City under the Project Lease, including the Rental Payments, and all other expenses incurred by the City in connection with the Financing or a refinancing of the COPs.

The Director hereby acknowledges that the Port is not pledging any revenues as security for its obligations under this MOU, and any payments by the Port under this MOU shall be made from any source of legally available funds of the Port in any fiscal year after it has satisfied its obligations to pay debt service on any Port revenue bonds in that fiscal year, whether the revenue bonds are outstanding as of the date of this MOU or issued after the date of this MOU. The Director and the Port acknowledge and agree that the Port's obligations under this MOU are and will be expressly subordinate to any Port revenue bonds currently or hereafter outstanding.

3. **Term**. The term of this MOU will begin on the date the resolution of the Board approving it becomes effective and end on the upon the payment of all costs related to the Financing, including all Rental Payments and the costs of retiring the COPs or any obligations incurred by the City to refinance the COPs.

4. **COP Expectations**. The parties agree that the City will execute and deliver the Project Lease and cause execution and delivery of the COPs in an amount sufficient to pay not only the costs of constructing the Project but, as applicable, other costs relating to the Financing, including capitalized interest, costs of issuance, reimbursement of eligible pre-issuance costs and other contingencies. The initial principal amount of the COPs will be the greater of (i) $50,000,000 and (ii) any greater amount agreed upon by the Director and the Port, if approved by the Port Commission and the Board. The initial principal amount of any obligations incurred by the City to refinance the COPs will be the greater of (i) the amount required to defease the outstanding COPs (or any obligations issued to refinance the COPs), fund a debt service reserve for the obligations and pay the costs of issuing the obligations and (ii) such greater amount agreed upon by the Director and the Port, if approved by the Port Commission and the Board.

5. **Obligations with Respect to Project**. The Port shall be responsible for all operations, maintenance, insurance and other issues relating to the ongoing use of the Project, subject to any obligations of the City under the Project Lease.

6. **Obligations with Respect to the Financing**. The Director, as the designee of the Controller, shall collaborate with the Port with respect to the ongoing management of the Project Lease and the COPs, in terms of approvals, refunding opportunities, or other aspects of the transaction that could result in a change in the nature or the amount of the COPs Payments. Because the Financing relies on Lease Payments to be made by the City from its General Fund, subject to the Port's reimbursement obligation under this MOU, the Controller has final authority with respect to managing the Financing. The authority of the Controller to manage the Financing

shall also extend to all refinancings of the COPs that are payable from or secured by the City's General Fund or any City assets not under Port jurisdiction.

7. **Port Obligations Relating to Leased Property**.

a. The Port shall provide Port assets to serve as "Leased Property" under the Project Lease. The Controller may, in its discretion, provide additional City assets to serve as Leased Property during the construction of the Pier 27 portion of the Project. The Port acknowledges that any City assets will be released from the Project Lease upon completion of construction of the Pier 27 portion of the Project.

b. For as long as any Port properties constitute "Leased Property" under the Project Lease, the Port will use the proceeds of any insurance proceeds related to the damage or destruction of any Port property that constitutes Leased Property to rebuild or replace such Port property as soon as it commercially reasonable to do so.

8. **Notice**. Any notice given under this MOU shall be effective only if in writing and given by delivering the notice in person or by sending it first-class mail or certified mail with a return receipt requested or by overnight courier return receipt requested, with postage prepaid, at the following addresses, or at such other addresses as either the Port or the Director may designate by notice as its new address:

Address for Port:	Port of San Francisco Pier One San Francisco, CA 94111 Attn: Monique Moyer, Executive Director Email: monique.moyer@sfport.com Telephone No.: (415) 274-0401 Fax No.: (415) 274-0578
Address for Controller:	Office of the Controller, Director of Public Finance City Hall Room 336 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102 Attn: Nadia Sesay, Director Email: nadia.sesay@sfgov.org Telephone No.: (415) 554-7500 Fax No.: (415) 554-4864

For convenience of the parties, courtesy notices may also be given by email, facsimile, or telephone to the address or numbers set forth above or such other address or number as may be provided from time to time; however, neither the Port nor the Director may give official or binding notice by email, telephone, or facsimile.

9. **Miscellaneous Provisions**.

a. California Law. This MOU shall be construed and interpreted in accordance with the aws of the State of California and the City's Charter.

b. Entire Agreement. Subject to any subsequent agreements authorized pursuant to this MOU, this MOU contains all of the representations and the entire agreement between the parties with respect to the subject matter of the MOU. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to such subject matter are superseded in total by this MOU. No prior drafts of this MOU or changes from those drafts to the executed version of the MOU shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts as in interpreting this MOU.

c. Amendments. No amendment of this MOU or any part thereof shall be valid unless it is in writing and signed by all of the parties hereto.

d. Severability. Except as is otherwise specifically provided for this MOU, invalidation of any provision of this MOU, or of its application to any person, by judgment or court order, shall not affect any other provision of this MOU or its application to any other person or circumstance, and the remaining portions of this MOU shall continue in full force and effect, unless enforcement of this MOU as partially invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purpose of this MOU.

e. No Party Drafter; Captions. The provisions of this MOU shall be construed as a whole according to their common meaning and not strictly for or against any party in order to achieve the objectives and purposes of the parties. Any caption preceding the text of any section, paragraph or subsection is included only for convenience of reference and shall be disregarded in the construction and interpretation of the MOU.

f. Singular, Plural, Gender. Whenever required by the context, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine gender, and vice versa.

g. Successors. The terms, covenants, agreements and conditions set forth in the MOU shall bind and inure to the benefit of the Port and the Controller and, except as otherwise provided herein, their contractors, agents, personal representatives, successors, and assigns.

h. Waiver. No failure by either party to insist upon the strict performance of any obligation of the other party under this MOU or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, and no acceptance of full or partial MOU consideration during the continuance of any such breach shall constitute a waiver of such breach or of the right to demand strict compliance with such term, covenant, or condition. A party's consent to or approval of any act by the other party requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent act. Any waiver of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the MOU.

i. Further Assurances. The parties hereto agree to execute and acknowledge such other and further documents as may be necessary or reasonably required to carry out the mutual intent of the parties as expressed in this MOU.

j. Application. The parties intend for this MOU to establish their shared understanding as to the budgeting of certain costs and as such this document shall not confer any rights on any other person to mandate or enjoin any action by the parties hereto.

10. **Approval Contingency**. This MOU shall not be effective without authorization from the Port Commission and the Board, each in its sole and absolute discretion.

[No further text this page]

IN WITNESS WHEREOF, the parties have caused this MOU to be executed as of the date first written above.

AGREED TO AS WRITTEN ABOVE:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation operating by and through SAN FRANCISCO PORT COMMISSION

By:_____
MONIQUE MOYER
Port Executive Director

Date:
Resolution No.:

REVIEWED:

Dennis J. Herrera, City Attorney

By:_____
Deputy City Attorney

AGREED TO AS WRITTEN ABOVE:

SAN FRANCISCO CONTROLLER, acting through the City's Director of Public Finance

By:_____
NADIA SESAY
Director of Public Finance

REVIEWED:

Dennis J. Herrera, City Attorney

By:_____
Deputy City Attorney

OFFICIAL NOTICE OF SALE

$[Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(Port Facilities Project)
SERIES 2012__

NOTICE IS HEREBY GIVEN that electronic bids and sealed bids will be received in the manner described below, and in the case of electronic bids, solely through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") for bid submission, by the City and County of San Francisco (the "City") for the purchase of $[Amount]* aggregate principal amount of City and County of San Francisco Certificates of Participation (Port Facilities Project), Series 2012__ (the "Certificates") more particularly described hereinafter, at 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

_____, at ___ a.m. (California time)
(subject to postponement in accordance with this Official Notice of Sale)

See "TERMS OF SALE–Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

The Preliminary Official Statement for this offering will be posted electronically at Ipreo's i-prospectus at www.i-dealprospectus.com.

THE RECEIPT OF BIDS ON _____, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. If the sale is postponed, bids will be received at the place set forth above on any weekday during the period from _____ through _____, as the City may determine. Notice of the new date and time for receipt of bids shall be given through Parity as soon as practicable following a postponement and no later than [1:00] p.m. (California time) on the date preceding the original or new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from either of the City's Co-Financial Advisors: Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111, Attention: Robert Gamble, Telephone: (415) 982-5544, Fax: (415) 982-4513, email: gambler@pfm.com and Backstrom McCarley Berry & Co., LLC, Attention: Vincent McCarley, 155 Sansome Street, Mezzanine A, San Francisco, California 90404, Telephone: (415) 4392-5505, Fax: (415) 392-5276, e-mail:VMcCarley@bmcbco.com (collectively, the "Co-Financial Advisors"), provided however that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale. See "TERMS OF SALE - Postponement or Cancellation of Sale."

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* Preliminary, subject to change.

The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided,* that any such modification or amendment will be communicated to potential bidders through Parity not later than [1:00] p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE–Right to Modify or Amend."

This Official Notice of Sale will be submitted to the Parity bid delivery system. In the event the summary of the terms of sale of the Certificates posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE CERTIFICATES

IMPORTANT INFORMATION REGARDING THE CERTIFICATES AND THE CITY IS PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT (THE "PRELIMINARY OFFICIAL STATEMENT") WHICH EACH BIDDER MUST REVIEW, AND WILL BE DEEMED TO HAVE REVIEWED, PRIOR TO BIDDING FOR THE CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE CERTIFICATES. THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Interest Rates. The interest evidenced and represented by the Certificates shall be payable on ____ 1 and ____ 1 of each year, beginning on ___ 1, 201_ (each an "Interest Payment Date" "). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months, from the date of delivery of the Certificates.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (__ or ___ of 1%) per annum;
(ii) the maximum interest rate bid for any maturity shall not exceed _____ (__%) per annum;
(iii) no Certificate shall bear a zero rate of interest;
(iv) each Certificate shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and
(v) all Certificates maturing at any one time shall bear the same rate of interest.

Premium Bids; Discount Bids. Bids may include a net discount from or a net premium on the par value of the Certificates; provided that the following conditions are met:

(i) the amount of total net discount (inclusive of original issue discount) with respect to the Certificates may not exceed _____ (__%) of the aggregate principal amount of the Certificates; and
(ii) the amount of total net premium with respect to the Certificates may not exceed ___ (__%) of the aggregate principal amount of the Certificates.

Principal Payments. The Certificates shall be serial and/or term Certificates, as specified by each bidder and principal shall be payable on ____ 1 of each year, beginning on ____ 1, 201_ as shown below; provided that no term Certificate shall require sinking fund payments prior to ____ 1, 201_. For any term certificates specified, the principal amount for a given year may be allocated only to a single term certificate and must be part of an uninterrupted annual sequence from the first sinking account installment prepayment to the term certificate maturity. Subject to adjustment as herein provided, the aggregate principal amount of the serial maturity or sinking account installment prepayment for the Certificates in each year is as follows:

Certificate Payment Date (_____1)*	**Principal Amount***
Total	**$[Amount]**

* Preliminary, subject to change. Maturity schedule may be adjusted prior to pricing. Certificate Payment Dates for the Certificates are subject to the creation of term certificates by the bidder, as set forth in herein.

Adjustment of Principal Payments. The principal amounts, set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid. **The City reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Certificates in increments of $5,000, in an aggregate amount not to exceed the greater of 10% of such principal amount or $__,000, as determined in the sole discretion of the City; provided however, that the Certificates will be executed and delivered in an aggregate par amount of not-to-exceed $_____. Any such adjustment of principal payments on the Certificates shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Certificates. Any such adjustment will not change the average per Certificate dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the**

bids submitted will be required or permitted and no successful bid may be withdrawn. THE BIDDER AWARDED THE CERTIFICATES BY THE CITY (THE "PURCHASER") WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS WITH RESPECT TO THE CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Prepayment. (a) Optional Prepayment. The principal component evidenced by the Certificates with a Certificate Payment Date on or after ____ 1, 201_, is subject to optional prepayment prior to the respective Certificate Payment Dates in whole or in part on any date on or after ____ 1, 201_, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

(b) Special Mandatory Prepayment. The principal component of the Base Rental payments evidenced by the Certificates is subject to special mandatory prepayment prior to the respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued interest to the prepayment date), without premium, from any amounts deposited in the Base Rental Fund pursuant to the Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

(c) Mandatory Sinking Account Installment Prepayment. The principal component of the Base Rental payments evidenced by the Certificates is further subject to prepayment prior to the respective stated Certificate Payment Dates on ____ 1 of each year for which a sinking account installment prepayment is specified by the bidder, by lot in the principal component to be prepaid plus accrued interest to the prepayment date, without premium, but only in amounts equal to, and in accordance with, the scheduled prepaid components of the Base Rental evidenced by the Certificates to be prepaid.

[Municipal Bond Insurance at Bidder's Option. The City has provided information to [Name of Insurer] in order to pre-qualify the Certificates for municipal bond insurance. However, bids shall not be conditioned upon the issuance of any such policy or the ratings of such insurer upon delivery of the Certificates. The City makes no representation as to whether the Certificates will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. ***In particular, the City will neither amend nor supplement the ordinance or agreements relating to the Certificates in any way, nor will it agree to enter into any additional agreements with respect to the provision of any such policy.*** The Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two (2) business days following the award of the Certificates by the City. The City will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Certificates, as well as an opinion of counsel of the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Jones Hall, A Professional Law Corporation and Lofton & Jennings (collectively, "Co-Special Counsel"). THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY CITY DECISION TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE OFFICIAL STATEMENT IN CONNECTION WITH CERTIFICATE INSURANCE. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY OR ANY OTHER INFORMATION OR EVENTS OCCURRING OR BECOMING KNOWN RELATING TO SUCH INSURANCE PROVIDER OR THE POLICY, INCLUDING BUT NOT LIMITED TO A RATINGS DOWNGRADE, SHALL NOT CONSTITUTE CAUSE FOR A FAILURE

OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE CERTIFICATES.]

Legal Opinion and Tax Matters. Upon delivery of the Certificates, Co-Special Counsel, Jones Hall, A Professional Law Corporation and Lofton & Jennings, will deliver an approving opinion concerning interest with respect to the Certificates. See "TAX MATTERS" in the Preliminary Official Statement. A complete copy of the proposed form of opinion of Co-Special Counsel is set forth in Appendix __ to the Preliminary Official Statement. See "TAX MATTERS" in the Preliminary Official Statement.

Tax-Exempt Status: In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Special Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest evidenced by the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. [Interest evidenced by the Certificates is not a specific preference item for purposes of federal individual and corporate alternative minimum taxes, although Co-Special Counsel observes that interest evidenced by the Certificates is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.] Co-Special Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest evidenced by, the Certificates. See "TAX MATTERS" in the Preliminary Official Statement.

In the event that prior to the delivery of the Certificates the income received by any private holder from obligations of the same type and character as the Certificates shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax law, either by the terms of such law 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, the successful bidder may, at its option, prior to the tender of the Certificates by the Corporation, be relieved of its obligation to purchase the Certificates and in such case the Good Faith Deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excluded 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 is otherwise includable for the purpose of calculating certain other tax liabilities.

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for the Certificates must be: (1) for not less than all of the Certificates hereby offered for sale, (2) unconditional, and (3) (i) submitted on the Official Bid Form attached hereto as Exhibit B and signed by the bidder, or (ii) submitted via Parity, along with a facsimile transmission by the winning bidder, after the verbal award, of the completed and signed Official Bid Form conforming to the Parity bid, with any adjustments made by the City pursuant hereto, by not later than [10:30] a.m. California time on the sale date. Electronic bids must conform with the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City at the address set forth on the cover and clearly marked "Bid for the Certificates" or words of similar import, as hereinafter described and received by [8:30] a.m. California time, at the offices of the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the City is subject to withdrawal or modification by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Certificates is canceled or postponed, all bids shall be rejected. No bid submitted to the City is subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The City retains absolute discretion to determine whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or

nonconforming with this Official Notice of Sale or has not been received. Although faxed confirmation is acceptable, no faxed-bids will be accepted.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact Parity, phone: (212) 849-5021.

Warnings Regarding Electronic Bids. Bids for the Certificates may be submitted electronically via Parity. The City will attempt to accommodate bids submitted electronically via Parity. However, the City does not endorse or encourage the use of such electronic bidding service. None of the City, the City Attorney, the Co-Financial Advisors or Co-Special Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of, any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the City at the place of bid opening, and the City will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Certificates through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Certificates conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Certificates; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Certificates or the interest rates for any maturity of the Certificates) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the City, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. The City reserves the right to reject all the bids or postpone the bids if the City determines the desired savings have not been achieved, or for any other reason. Unless all bids are rejected, the Certificates will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost ("TIC") to the City. The TIC will be that nominal interest rate which, when compounded semiannually and applied to discount all payments of principal and interest payable on the Certificates to the dated date of the Certificates, results in an amount equal to the principal amount of such Certificates plus the amount of any net premium bid. For the purpose of calculating the TIC, mandatory sinking fund payments for any Term Certificates specified by each bidder will be treated as Certificates maturing on the dates of such mandatory sinking fund payments. In the event that two or

more bidders offer bids for the Certificates at the same lowest TIC, the City will determine by lot which bidder will be awarded the Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the City.

Multiple Bids. In the event multiple bids are received from a single bidder by any means or combination thereof, the City shall accept the bid representing the lowest TIC to the City, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. To secure the City from any loss resulting from the failure of the apparent winning bidder to comply with the terms of its bid, a good faith deposit in the amount of $_____ (the "Good Faith Deposit") must be provided. The Good Faith Deposit may be provided concurrently with the bid [and must be received no later than ninety (90) minutes from the time the apparent winning bidder is identified].

The Good Faith Deposit may be submitted in the form of a (i) cashier's check, drawn on a bank or trust company transacting business in the State of California and payable to the order of the City, (ii) wire transfer (as described below), or (iii) a financial surety bond issued by an insurer licensed to do business in the State of California and acceptable to the City, followed by a wire transfer. The Certificates will not be officially awarded to a bidder who has not submitted a Good Faith Deposit by one of the methods herein described.

If the apparent winning bidder on the Certificates is determined to be a bidder which has submitted a financial surety bond and not a Good Faith Deposit, the Co-Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith Deposit to the Trustee (as described below), and provide the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors, within ninety (90) minutes of such request by the Co-Financial Advisors. The wire transfer is to be made to _____, for credit to the City, Account No. _____, with notice thereof to Angela Whittaker, telephone: (415) 554 6643, fax: (415) 554 4864.

No interest will be paid upon the Good Faith Deposit made by any bidder. If a Good Faith Deposit is submitted by an unsuccessful bidder, it will be returned promptly after the award of the Certificates or the rejection of all bids. The Good Faith Deposit of the Purchaser will, immediately upon acceptance of its bid, become the property of the City, and if in the form of a cashier's check, will be cashed. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Certificates purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon execution and delivery of the Certificates, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Certificates or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Certificates would not be validly delivered if delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See "CLOSING PROCEDURES AND DOCUMENTS – Right of Cancellation." [In the event of nonpayment for the Certificates by the Purchaser, the City reserves any and all rights granted by law to recover the full purchase price of the Certificates and, in addition, any damages suffered by the City.][The Good Faith Deposit of the successful bidder will be retained by the City as liquidated damages should such bidder fail to pay the purchase price in full upon tender of the Certificates. Such retention shall constitute a full release and discharge of all claims by the City against the successful bidder. The City's actual damages may be higher or lower than the amount of such Good Faith Deposit. Such amount represents a good faith

estimate of the City's actual damages. Each bidder waives the right to claim that actual damages arising from such default are less than such amount.]

Reoffering Prices and Certificate. The successful bidder for the Certificates must actually reoffer all of the Certificates to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable, but not later than one hour after the award of the Certificates, the successful bidder shall provide to the City the initial offering prices at which it has offered all of the Certificates of each maturity to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a bona fide public offering. Prior to delivery of the Certificates, the successful bidder shall provide a reoffering price certificate, substantially in the form attached hereto as Exhibit C, to the City, Jones Hall, A Professional Law Corporation, 650 California Street, San Francisco, CA, 94108; Attention: Stephen Melikina, Esq., fax (415) 391-5784, Esq.; e-mail: smelikina@joneshall.com and Lofton & Jennings, 225 Bush Street, 16th Floor, San Francisco, CA 94104; fax: (415) 772-1909; Attention: William M. Lofton, Esq.; e-mail: blofton@loftonjennings.com. In addition, at the request of Co-Special Counsel, the successful bidder will provide information regarding its sales of the Certificates. For the purposes of this paragraph, sales of the Certificates to the other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole and absolute discretion (a) to reject any bid for any reason; (b) to reject all bids for any reason; or (c) to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through Parity not later than [1:00] p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Certificates at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date and time will be given through Parity not later than [1:00] p.m. (California time) on the business day preceding the new date that bids are to be received. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Controller will take official action awarding the Certificates or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("LBE") Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, 8th Floor, San Francisco, California; phone: (415) 252-2500.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Certificates will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about ____ _, 2012.**

Payment for the Certificates (including any premium) must be made at the time of delivery in immediately available funds to the Treasurer of the City. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions described in APPENDIX _ – "PROPOSED FORM OF OPINIONS OF CO-SPECIAL COUNSEL" to the Official Statement.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Certificates, the Purchaser assumes all responsibility for qualifying the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Certificates, including the payment of fees for such qualification. Under no circumstances may the Certificates be sold or offered for sale or any solicitation of an offer to buy the Certificates be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The City will deliver a certificate stating that no litigation is pending with service of process having been accomplished, or, to the knowledge of the officer of the City executing such certificate, threatened, concerning the validity of the Certificates, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Certificates or concerning the validity of the Project Lease, Property Lease and the Trust Agreement.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the Certificates and tender the same for delivery within 30 days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificate nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Certificates. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The City will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within 60 days from the sale date the statutory fee for the Certificates purchased.

Official Statement. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Co-Financial Advisors is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Certificates, the Purchaser will be furnished with a reasonable number of copies (not to exceed 200) of the final Official Statement, without charge, for distribution in connection with the resale of the Certificates. The Purchaser must notify the City in writing within two days of the sale of the Certificates if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Certificates, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to promptly file a copy of the final Official Statement, including any supplements, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12, and (3) to take any and all other actions necessary to comply with applicable SEC and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Certificates to the Purchaser, including without limitation, the delivery of a final Official Statement to each investor who purchases Certificates.

The form and content of the final Official Statement is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Certificates, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system and reoffering information, as to which no view will be expressed), as of the date of sale of the Certificates and as of the date of delivery thereof did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) ("Rule 15c2-12(b)(5)"), the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and 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. The City has not failed, in the prior five years, to comply in all material respects with any previous undertakings with regard to Rule 15c2-12(b)(5) to provide annual reports or notices of material events.

Dated: ____ __, 2012

Exhibit A

CERTIFICATE OF INSURER

The undersigned, the duly authorized and acting _____ of _____ (the "Insurer"), hereby certifies on behalf of the Insurer as follows:

1. The statements contained in the Official Statement dated _____, 201_ (the "Official Statement"), relating to the $_____ aggregate principal amount of City and County of San Francisco Certificates of Participation(Port Facilities Project), Series 2012__ under the caption "Certificate Insurance," insofar as such statements constitute descriptions or summaries of the Insurer or the municipal bond insurance policy (the "Policy") of the Insurer covering the Certificates, accurately reflect and fairly present the information set forth therein, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

2. The Form of Insurance Policy set forth in APPENDIX __ of the Official Statement is a true and complete copy of the form of Policy.

NAME OF INSURER:

By: _____

Title: _____

BID TIME: [8:30] a.m. (California time)

EXHIBIT B
_____, 2012

OFFICIAL BID FORM FOR THE PURCHASE OF
$[Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
2012__(Port Facilities Project))
SERIES 2012__

Controller
City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm Number: (415) 554-6643

BIDDING FIRM'S NAME:

_____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated _____, 2012, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Certificates (the "Certificates") and hereby offer to purchase all of the $[Amount]* aggregate principal component of the Base Rental payments evidenced by the Certificates dated the date of the delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $_____ (previously submitted or to be submitted within ninety (90) minutes from receipt of notice that we are the apparent winner) in the form of (check one): _____ cashier's check, _____ wire transfer, or _____ surety bond/wire transfer; and to pay therefor the price of $_____, which is equal to the aggregate principal component of the Base Rental payments evidenced by the Certificates plus/less a net premium/discount of $_____ (such amount being the "Purchase Price"). The principal component of the Base Rental payments evidenced by the Certificates shall be payable and will be subject to mandatory sinking fund prepayment commencing no earlier than _____, 20___ (if term certificates are specified below) in the amounts and years, and shall evidence interest at the rates per annum (in multiples of __ or __ of _%; not to exceed _%), as set forth in the schedule below.

(Check one)

Certificate Payment Date (____)*	Principal Amount*	Serial Payment	Mandatory Sinking Fund Prepayment (1)	Interest Rate

Total **$[Amount]**

(1) Circle the final payment date of the principal component evidenced by each term Certificate specified. No term Certificate shall require mandatory sinking fund prepayments prior to ____ __, 20__.

_____
Authorized Signatory

Title: _____
Phone Number: _____
Fax Number: _____

TIC (optional and not binding): _____

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

* Subject to adjustment following award in accordance with the Official Notice of Sale.

REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED UNDER "REOFFERING PRICE CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

This certificate is being delivered by _____, the purchaser (the "Purchaser") in connection with the issuance of the City and County of San Francisco Certificates of Participation, Series 2012__ (Port Facilities Project) (the "Certificates"). The Purchaser hereby certifies and represents that:

A. Issue Price.

1. On the date of the Certificates' [sale][award] (the "Sale Date"), all Certificates of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule A attached hereto.

2. On the Sale Date, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity of the Certificates [*if less than ten percent of some maturities of the Certificates has been sold to the public, add:* , except the Certificates maturing in the year[s] [ ],] was sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, shown in the Official Statement. [Less than ten percent of the Certificates maturing in the year[s] [ ] were sold to the public following a bona fide public offering at the prices or yields shown in the Official Statement.]

3. On the Sale Date, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Certificates would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, shown in the Official Statement.

4. The prices and yields of the Certificates, maturity-by-maturity, shown in the Official Statement, represented our best judgment of the fair market value of the Certificates.

[B. Qualified Guarantee.

The present value of the premium paid in respect of the policy issued by [ ] insuring the scheduled principal and interest payments on the Certificates [if not all maturities are insured add: maturing in the years [ ] through [ ]] is less than the present value of the interest savings resulting from obtaining the policy. Present value, for this purpose, is computed by using the yield on the Certificates as the discount rate after taking into account the insurance premium. Based on our experience, the insurance premium represents a reasonable charge for the transfer of credit risk.]

C. Compensation.

All compensation received for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Certificates is being paid on the date hereof in the form of a purchase discount in the amount of $_____, and no part of such compensation includes any

payment for any property or services other than underwriting services relating to sale and delivery of the Certificates.

We understand that the representations contained herein will be relied upon by the City and County of San Francisco in connection with the execution and delivery of the Certificates in making certain of the representations contained in the Tax Certificate, and we further understand that Co-Special Counsel to the issuer may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the of the portion of each payment due under the Project Lease designated as and comprising interest with respect to the Certificates, pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate relating to the Certificates to which this certificate is attached as an exhibit.

Dated: _____, 201_

By:_____
Name:_____
Title:_____

Certificates

Certificate Payment Date (_____1)	Principal Amount	Interest Rate	Reoffering Price or Yield
	$_____	_____%	_____%
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

* Principal components evidenced by the Certificates were priced to call on _____, 20___ at 100% of par.

L&J Draft #2
4/3/2012

NOTICE OF INTENTION TO SELL

$_____*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(Port Facilities Project)
SERIES 2012__

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer for public sale on

_____, at ____ a.m. (California time)*

by sealed bids at the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity"), $_____* aggregate principal amount of City and County of San Francisco Certificates of Participation (Port Facilities Project), Series 2012__ (the "Certificates").

The City reserves the right to postpone or cancel the sale of the Certificates or change the terms thereof upon notice given through Parity. If the sale is postponed, bids will be received at the hour and place set forth above on any weekday during the period from _____ through _____, as the City may determine. In the event of a postponement of the sale of the Certificates, notice of the new date and time for receipt of bids (and any change in the terms of the sale of the Certificates) shall be given through Parity, as soon as practicable but no later than [1:00] p.m. California time on the date preceding the original or new date for receiving bids.

Further information regarding the proposed sale of the Certificates, including copies of the Preliminary Official Statement and the Official Notice of Sale relating to the Certificates are available electronically at the News Services or may be obtained from either of the City's Co-Financial Advisors: Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111, Attention: Robert Gamble, Telephone: (415) 982-5544, Fax: (415) 982-4513, email: gambler@pfm.com and Backstrom McCarley Berry & Co., LLC, Attention: Vincent McCarley, 155 Sansome Street, Mezzanine A, San Francisco, California 90404, Telephone: (415) 4392-5505, Fax: (415) 392-5276, e-mail:VMcCarley@bmcbco.com. On or about _____, the Preliminary Official Statement and Official Notice of Sale will be posted electronically at Ipreo Prospectus www.i-dealprospectus.com. Failure of any bidder to receive such notice shall not affect the legality of the sale.

Dated: _____, 2012

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* Preliminary, subject to change.