

File No. 100744

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 6/9/10

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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OTHER

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| <input type="checkbox"/> | <input type="checkbox"/> | <u>Bond Documents*</u> |
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Completed by: Gail Johnson

Date 6/4/10

Completed by: _____

Date _____

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

1 [Lease Financing Refunding of Combined Emergency Communication System Bonds and
2 Citywide Emergency Radio System Bonds.]

3 **Resolution approving the issuance and sale of lease revenue refunding bonds to**
4 **refinance the Combined Emergency Communication System and Citywide Emergency**
5 **Radio System of the City and County of San Francisco (the "City"); approving the form**
6 **of a Facilities Lease by and between the City and County of San Francisco Finance**
7 **Corporation (the "Corporation") and the City relating to certain real property described**
8 **herein; approving the form of a Master Lease by and between the Corporation and the**
9 **City; approving the form of a Master Trust Agreement by and between the Corporation**
10 **and a trustee (including certain indemnities contained therein); authorizing the**
11 **selection of a trustee (the "Trustee"); approving the form of an Assignment Agreement**
12 **by and between the Corporation and the Trustee; approving the form of Escrow**
13 **Agreements by and between the Corporation and an escrow agent; approving the form**
14 **of an Official Notice of Sale and a Notice of Intention to Sell the lease revenue**
15 **refunding bonds; directing the publication of the Notice of Intention to Sell the lease**
16 **revenue refunding bonds; approving the form of a Purchase Contract and authorizing**
17 **the appointment of one or more underwriters for the lease revenue refunding bonds;**
18 **approving the form of an Official Statement in preliminary and final form; approving the**
19 **form of a Continuing Disclosure Certificate; authorizing the payment of cost of**
20 **issuance; authorizing the reimbursement of certain expenditures; granting general**
21 **authority to City officials to take certain actions in connection with the lease revenue**
22 **refunding bonds; approving modifications to documents; and ratifying previous**
23 **actions taken in connection therewith.**

24 WHEREAS, Pursuant to Section 9.108(1) of the Charter of the City and County of San Francisco
25 (the "Charter"), the City may enter into lease financing agreements only with the assent of the majority of

1 the voters voting upon any proposition for the authorization of the lease financing, subject to certain
2 exceptions for which voter approval is not required; and,

3 WHEREAS, pursuant to voter approval, the City has entered into leases with the City
4 and County of San Francisco Finance Corporation (the "Corporation"), a California nonprofit
5 public benefit corporation, the base rental payments under which secure the following series
6 of bonds issued by the Corporation (collectively, the "Prior Bonds"): (a) the City and County of
7 San Francisco Finance Corporation Lease Revenue Bonds, Series 1997 (Combined
8 Emergency Communications Center), now outstanding in the aggregate principal amount of
9 \$15,810,000; (b) the City and County of San Francisco Finance Corporation Lease Revenue
10 Bonds, Series 1998 (Combined Emergency Communications System Equipment), now
11 outstanding in the aggregate principal amount of \$2,230,000; (c) the City and County of San
12 Francisco Finance Corporation Lease Revenue Bonds, Series 1998-I (Citywide Emergency
13 Radio System), now outstanding in the aggregate principal amount of \$3,895,000; and (d) the
14 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1999-I
15 (Citywide Emergency Radio System), now outstanding in the aggregate principal amount of
16 \$4,900,000; and,

17 WHEREAS, the City now desires to cause the refunding of all or a portion of the Prior
18 Bonds (the "Refunded Bonds") in order to achieve a reduction in overall rental payments;

19 WHEREAS, Section 9.108(2) of the Charter provides that the City may enter into a
20 lease without voter approval for the refunding of a lease financing which is expected to result
21 in net savings in rental payments to the City on a present value basis; and,

22 WHEREAS, Article VIII of Chapter 43 of the Administrative Code of the City provides
23 the method of calculating net savings as described above and that the Board of Supervisors
24 of the City and County of San Francisco (the "Board of Supervisors") may authorize the
25 issuance and provide the final terms, amounts, maturities, interest rates and other provisions

1 of the refunding bonds (including a reference to the procedure under which debt service
2 savings is to be calculated) by means of an indenture, resolution, ordinance, order, agreement
3 or other instrument in writing and if the Board establishes the minimum savings to be
4 generated by the issuance of such refunding bonds, the Board may delegate to appropriate
5 officials or officers of the City or of the Board the authority to determine the final terms,
6 amounts, maturities, interest rates and other provisions of said refunding bonds.

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

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

10 Section 2. Approval of the Bonds. The Board hereby approves the issuance and
11 sale of lease revenue refunding bonds (the "Bonds") by the Corporation in accordance with
12 the Master Trust Agreement (as defined herein) for the purpose of refunding the Refunded
13 Bonds. The Bonds shall be comprised of, and designated as, the "City and County of San
14 Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010-R1
15 (Emergency Communications System Refinancing)" or such other designation as determined
16 by the Director of Public Finance of the City or her designee (together with the Director of
17 Public Finance of the City, the "Director of Public Finance"). The Director of Public Finance is
18 hereby authorized to approve the sale date, the manner of sale, the maturity dates, the
19 redemption provisions and all other terms of the Bonds, subject to the following limitations: the
20 principal amount of the Bonds shall not to exceed \$24,000,000; the Bonds shall bear interest
21 rates yielding a true interest cost at not to exceed six percent (6%) per annum; the price of the
22 Bonds shall be at least 98% of the principal amount thereof; and the issuance of Bonds
23 authorized hereby shall result in net debt service savings in rental payments to the City on a
24 present value basis in accordance with Section 9.108(2) of the Charter and Article VIII of
25 Chapter 43 of the Administrative Code of the City, as determined and certified by the Director

1 of Public Finance. To the extent deemed necessary or desirable by the Director of Public
2 Finance, this Board authorizes the procurement of credit enhancement for the Bonds,
3 including, but not limited to, municipal bond insurance and/or a debt service reserve fund
4 surety bond or insurance policy. In accordance with Section 16 hereof, the documents
5 authorized herein may be modified or amended to permit the procurement of credit
6 enhancement for the Bonds, to the extent deemed necessary by the Director of Public
7 Finance, upon consultation with the City Attorney of the City (the "City Attorney").

8 Section 3. Asset Transfer; Description of Property. The issuance of the Bonds and
9 lease financing hereby approved may involve the lease and leaseback by the City of all or any
10 portion of either of the following facilities within the City: (a) the emergency communications
11 center located at 1011 Turk Street, and for (b) the San Francisco General Hospital mental
12 health rehabilitation facility located at 887 Potrero Avenue.

13 Section 4. Approval of the Form of Facilities Lease. The form of the Facilities
14 Lease, as presented to this Board, a copy of which is on file with the Clerk of the Board of
15 Supervisors in File No. _____, is hereby approved. The Mayor of the City, or his designee
16 (together with the Mayor of the City, the "Mayor"), is hereby authorized to execute the
17 Facilities Lease, and the Clerk of the Board is hereby authorized to attest to such execution of
18 the Facilities Lease, with such changes, additions, modifications or deletions as the Mayor
19 may make or approve in accordance with Section 16 hereof.

20 Section 5. Approval of the Form of Master Lease. The form of the Master Lease, as
21 presented to this Board, a copy of which is on file with the Clerk of the Board of Supervisors in
22 File No. _____, is hereby approved. The Mayor is hereby authorized to execute the Master
23 Lease, and the Clerk of the Board is hereby authorized to attest to such execution of the
24 Master Lease, with such changes, additions, modifications or deletions as the Mayor may
25 make or approve in accordance with Section 16 hereof, provided however, that the maximum

1 base rental in connection with the Bonds scheduled to be paid under the Master Lease in any
2 fiscal year shall not exceed \$3,750,000 and the term of the Master Lease shall not be greater
3 than 20 years, except as such date may be extended by future resolution.

4 Section 6. Approval of the Form of Master Trust Agreement and Authorization of
5 Selection of the Trustee. The form of the Master Trust Agreement, as presented to this
6 Board, a copy of which is on file with the Clerk of the Board of Supervisors in File No. _____,
7 is hereby approved. The Director of Public Finance is hereby authorized to select the Trustee
8 in accordance with City policies and procedures, including, but not limited to, the City's policy
9 to provide locally disadvantaged minority business enterprises and women enterprises an
10 equal opportunity to participate in the performance of all City contracts. The Controller or the
11 Director of Public Finance, or their respective designees, is hereby authorized to execute the
12 Master Trust Agreement, and the Clerk of the Board is hereby authorized to attest to such
13 execution of the Master Trust Agreement, with such changes, additions, modifications or
14 deletions as the Controller or the Director of Public Finance may make or approve in
15 accordance with Section 16 hereof.

16 Section 7. Approval of the form of Assignment Agreement. The form of the
17 Assignment Agreement, as presented to this Board, a copy of which is on file with the Clerk of
18 the Board of Supervisors in File No. _____, is hereby approved. The Controller or the
19 Director of Public Finance, or their respective designees, is hereby authorized to execute the
20 Assignment Agreement, and the Clerk of the Board is hereby authorized to attest to such
21 execution of the Assignment Agreement, with such changes, additions, modifications or
22 deletions as the Controller or the Director of Public Finance may make or approve in
23 accordance with Section 16 hereof.

24 Section 8. Approval of the Form of Escrow Agreements and Authorization of
25 Selection of the Escrow Agent. In connection with the refunding of the Refunded Bonds, the

1 Corporation may enter into a refunding escrow agreement (each an "Escrow Agreement"), if
2 required, for each Series of the Refunded Bonds. The form of the Escrow Agreements, as
3 presented to this Board, a copy of which is on file with the Clerk of the Board of Supervisors in
4 File No. _____, is hereby approved. The Director of Public Finance is hereby authorized to
5 select the Escrow Agent in accordance with City policies and procedures, including, but not
6 limited to, the City's policy to provide locally disadvantaged minority business enterprises and
7 women enterprises an equal opportunity to participate in the performance of all City contracts.
8 The Controller or the Director of Public Finance, or their respective designees, is hereby
9 authorized to execute the Escrow Agreement, and the Clerk of the Board is hereby authorized
10 to attest to such execution of the Escrow Agreement, with such changes, additions,
11 modifications or deletions as the Controller or the Director of Public Finance may make or
12 approve in accordance with Section 16 hereof.

13 Section 9. Approval of the Form of Official Notice of Sale; Authorization for
14 Competitive Sale; Authorization to Award Bonds. The form of the Official Notice of Sale, as
15 presented to this Board, a copy of which is on file with the Clerk of the Board of Supervisors in
16 File No. _____, is hereby approved. The Director of Public Finance is hereby authorized to
17 approve the distribution of the Official Notice of Sale, with such changes, additions,
18 modifications or deletions as the Director of Public Finance may approve upon consultation
19 with the City Attorney; such approval to be conclusively evidenced by the distribution of the
20 Official Notice of Sale to potential purchasers of the Bonds. The Director of Public Finance is
21 hereby authorized to sell the Bonds by competitive sale if the Director of Public Finance
22 determines that such manner of sale is in the best interest of the City, such determination to
23 be conclusively evidenced by the receipt of bids and the award of the Bonds in accordance
24 with the Official Notice of Sale. If the Director of Public Finance determines to sell the Bonds
25 by competitive sale, the Director of Public Finance, on behalf of the Controller, is hereby

1 authorized and directed to receive bids for the purchase of the Bonds, and the President of
2 the Corporation or the Chief Financial Officer of the Corporation is each hereby authorized to
3 award the Bonds in accordance with the procedures described in the Official Notice of Sale,
4 subject to consultation with and approval by the Director of Public Finance.

5 Section 10. Approval of the Form of Notice of Intention to Sell the Bonds. The form of
6 the Notice of Intention, as presented to this Board, a copy of which is on file with the Clerk of
7 the Board of Supervisors in File No. _____, is hereby approved. The Director of Public
8 Finance is hereby authorized to approve the publication of the Notice of Intention to Sell, with
9 such changes, additions, modifications or deletions as the Director of Public Finance may
10 approve upon consultation with the City Attorney; such approval to be conclusively evidenced
11 by the publication of the Notice of Intention to Sell.

12 Section 11. Official Statement in Preliminary and Final Form. There has been
13 presented to this Board a form of an official statement relating to the Bonds (the "Official
14 Statement"), a copy of which is on file in preliminary form with the Clerk of the Board of
15 Supervisors in File No. _____, is hereby approved. The form of an official statement relating
16 to the Bonds (the "Official Statement"), as presented to this Board, a copy of which is on file in
17 preliminary form with the Clerk of the Board of Supervisors, is hereby approved. The Director
18 of Public Finance is hereby authorized to approve the distribution of the Preliminary Official
19 Statement in substantially said form, with such changes, additions, modifications or deletions
20 as the Director of Public Finance may approve upon consultation with the City Attorney and
21 the City's Disclosure Counsel, such approval to be conclusively evidenced by distribution of
22 the Preliminary Official Statement to potential purchasers of the Bonds and the execution of
23 the Rule 15c2-12 certificate next described. The Director of Public Finance is hereby
24 authorized to cause the distribution of the Preliminary Official Statement, deemed final for
25

1 purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to
2 sign a certificate to that effect.

3 Section 12. Authorization for Negotiated Sale; Authorization to Select Underwriters;
4 Approval of the Form of Purchase Contract. The Director of Public Finance is hereby
5 authorized to sell the Bonds by negotiated sale pursuant to a purchase contract (subject to
6 same parameters as set forth in Section 2), if the Director of Public Finance, in consultation
7 with the Controller and the City's financial advisors, reasonably determines that a negotiated
8 sale will lead to lower overall debt service costs for the City or is otherwise in the best financial
9 interest of the City, such determination to be conclusively evidenced by the execution and
10 delivery of a purchase contract for the Bonds. The Director of Public Finance is hereby
11 authorized and directed to appoint one or more investment banking firms to act as
12 underwriters of the Bonds in accordance with City policies and procedures, including, but not
13 limited to, the City's policy to provide locally disadvantaged minority business enterprises and
14 women enterprises an equal opportunity to participate in the performance of all City contracts.
15 The form of the Purchase Contract, among the City, the Corporation and one or more
16 underwriters selected by the Director of Public Finance, as presented to this Board, a copy of
17 which is on file with the Clerk of the Board of Supervisors in File No. _____, is hereby
18 approved. If the Director of Public Finance determines to sell the Bonds by negotiated sale,
19 the Director of Public Finance is hereby authorized to execute the Purchase Contract, with
20 such changes, additions, modifications or deletions as the Director of Public Finance may
21 approve upon consultation with the City Attorney, such approval to be conclusively evidenced
22 by the execution and delivery of the Purchase Contract.

23 Section 13. Approval of the Form of Continuing Disclosure Certificate. The form of
24 the Continuing Disclosure Certificate of the City, as presented to this Board, a copy of which is
25 on file with the Clerk of the Board of Supervisors in File No. _____, is hereby approved. The

1 Controller is hereby authorized to execute the Continuing Disclosure Certificate, with such
2 changes, additions, modifications or deletions as the Controller may approve upon
3 consultation with the City Attorney and the City's Disclosure Counsel; such approval to be
4 conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.

5 Section 14. Payment of Cost of Issuance. The Board hereby authorizes the
6 expenditure of a portion of the proceeds of the Bonds for the payment of certain costs of
7 issuance incurred in connection with the issuance and sale of the Bonds.

8 Section 15. General Authority. The Mayor, the City Attorney, the Controller, the
9 Director of Public Finance, the Director of Real Estate, the Clerk of the Board and other
10 officers of the City and their duly authorized deputies and agents are hereby authorized and
11 directed, jointly and severally, to take such actions and to execute and deliver such
12 certificates, agreements, requests or other documents, as they may deem necessary or
13 desirable to facilitate the issuance, sale and delivery of the Bonds, to obtain bond insurance or
14 other credit enhancements with respect to the Bonds, to obtain title and other insurance with
15 respect to the Facilities, to execute any and all documents related to the refunding of the
16 Refunded Bonds and the termination and release of liens or security interests with respect to
17 the leased assets relating thereto and otherwise to carry out the provisions of this Ordinance.

18 Section 16. Modifications, Changes and Additions. The Mayor is hereby authorized to
19 approve and make such modifications, changes, additions or deletions to the Facilities Lease
20 or the Master Lease, upon consultation with the City Attorney, as may be necessary or
21 desirable in the interests of the City, and which changes do not materially increase the
22 obligations of the City under the Facilities Lease or the Master Lease. The Mayor's approval
23 of such modifications, changes, additions or deletions shall be conclusively evidenced by the
24 execution and delivery by the Mayor and the Clerk of the Board of the Facilities Lease and the
25 Master Lease.

1 Section 17. Ratification of Prior Actions. All actions authorized and directed by this
2 Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.

3 APPROVED AS TO FORM:
4 DENNIS J. HERRERA, City Attorney

5
6 By: 
7 Mark Blake
8 Deputy City Attorney



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *GC* Mayor Gavin Newsom *ST*
RE: Lease Financing Refunding of Combined Emergency Communication System Bonds and Citywide Emergency Radio System Bonds
DATE: June 1, 2010

Dear Madame Clerk:

Attached for introduction to the Board of Supervisors is the resolution approving the issuance and sale of lease revenue refunding bonds to refinance the Combined Emergency Communication System and Citywide Emergency Radio System of the City and County of San Francisco (the "City"); approving the form of a Facilities Lease by and between the City and County of San Francisco Finance Corporation (the "Corporation") and the City relating to certain real property described herein; approving the form of a Master Lease by and between the Corporation and the City; approving the form of a Master Trust Agreement by and between the Corporation and a trustee (including certain indemnities contained therein); authorizing the selection of a trustee (the "Trustee"); approving the form of an Assignment Agreement by and between the Corporation and the Trustee; approving the form of Escrow Agreements by and between the Corporation and an escrow agent; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the lease revenue refunding bonds; directing the publication of the Notice of Intention to Sell the lease revenue refunding bonds; approving the form of a Purchase Contract and authorizing the appointment of one or more underwriters for the lease revenue refunding bonds; approving the form of an Official Statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; authorizing the payment of cost of issuance; authorizing the reimbursement of certain expenditures; granting general authority to City officials to take certain actions in connection with the lease revenue refunding bonds; approving modifications to documents; and ratifying previous actions taken in connection therewith.

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

Should you have any questions, please contact Starr Terrell (415) 554-5262.

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RECEIVED
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**FORM OF
ESCROW AGREEMENT¹**

This Escrow Agreement, dated as of _____ 1, 2010, between the City and County of San Francisco (the "*City*"), the City and County of San Francisco Finance Corporation (the "*Corporation*") and [Escrow Agent] (the "*Escrow Agent*"), a banking corporation having trust powers with offices located in San Francisco, California, for and in consideration of the mutual covenants set forth below:

ARTICLE I.

DEFINITIONS

The following words and terms used in this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning:

"Agreement" means this Escrow Agreement between the City, the Corporation and the Escrow Agent.

"Board of Supervisors" means the Board of Supervisors of the City, the governing body of the City.

"Code and Regulations" means Section 148 of the Internal Revenue Code of 1986, as amended, and all lawful regulations promulgated under that section.

"Controller" means the Controller of the City or such person who may be designated to act on behalf of the City under this Agreement by the Mayor.

"Defeasance Obligations" means such term as defined in the Refunded Bonds Indenture..

¹ To be modified as appropriate for each of the refunded bond series as follows:

(a) the City and County of San Francisco Finance Corporation Lease Revenue bonds, Series 1997 (Combined Emergency Communications Center), now outstanding in the aggregate principal amount of \$15,810,000; (b) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998 (Combined Emergency Communications System Equipment), now outstanding in the aggregate principal amount of \$2,230,000; (c) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998-I (Citywide Emergency Radio System), now outstanding in the aggregate principal amount of \$3,895,000; and (d) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1999-I (Citywide Emergency Radio System), now outstanding in the aggregate principal amount of \$4,900,000.

“*Escrow Account*” means the trust account established under this Agreement by the deposit of the Escrow Obligations.

“*Escrow Agent*” means [Escrow Agent], as Trustee, located in San Francisco, California, not individually but in the capacity of escrow agent for the uses and purposes described in this Agreement, or any successor, which successor shall also be the trustee for the Refunded Bonds.

“*Escrow Obligations*” means the Defeasance Obligations described in *Exhibit A* and any other Government Obligations deposited in the Escrow Account in accordance with the terms of this Agreement.

“*Government Obligations*” means such term as defined in the Refunded Bonds Indenture.

“*Paying Agent*” means [Refunded Bond Indenture Trustee], the trustee, bond registrar and paying agent for the Refunded Bonds.

“*Redemption Date*” means [_____], 2010.

“*Refunded Bonds*” means that portion of the [Refunded Bonds] due on _____ 1 of the year and in the amount and bearing interest at the rate per year as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>
-------------------------	-------------------------

“*Refunded Bonds Indenture*” means the Master Trust Agreement dated as of _____, 20__ from the City to Refunded Bonds, as Trustee, providing for the issuance of the Refunded Bonds.

“*Series 2010 Bond Resolutions*” means, collectively, (i) the resolution passed by the Board of Supervisors of the City on June __, 2010, and (ii) Resolution No. 2010-2 adopted by the Corporation on _____, 2010, in each case, authorizing the issuance of the Series 2010 Bonds.

“*Series 2010 Indenture*” means the Master Trust Agreement dated as of _____ 1, 2010 from the City to the Series 2010 Trustee, providing for the issuance of the Series 2010 Bonds.

“*Series 2010 Bonds*” means the City and County of San Francisco Finance Corporation have Revenue Refunding Bonds, Series 2010 R-1 (911 Information and Communications Systems) Series 2010, authorized pursuant to the Series 2010 Bond Resolutions and issued pursuant to the Series 2010A Indenture.

“*Series 2010 Trustee*” means [Trustee], as trustee under the Series 2010 Indenture.

"Verification Report" means the report of [_____], attached as *Exhibit B*.

ARTICLE II.

CREATION OF ESCROW

2.1 The Refunded Bonds are refunded as to all interest, principal and redemption premium, if any, from the date of this Agreement to and including the Redemption Date by the deposit with the Escrow Agent of Escrow Obligations as described in Section 2.2, which (together with the beginning deposit of cash funds described in Section 2.2) will provide all moneys necessary to pay the principal on the Refunded Bonds on the Redemption Date, and to pay interest on the Refunded Bonds when due to and including the Redemption Date.

2.2 Pursuant to Section 3.02 of the Series 2010 Indenture, the City has deposited with the Escrow Agent at the execution and delivery of this Escrow Agreement \$[_____] derived from the proceeds of sale of the Series 2010 Bonds for the purchase of the Escrow Obligations, and the Escrow Agent holds the Escrow Obligations. The Escrow Agent shall hold the Escrow Obligations under this Agreement in an irrevocable trust fund account for the Corporation to the benefit of the registered owners of the Refunded Bonds to pay the principal on the Refunded Bonds on the Redemption Date and to pay interest on the Refunded Bonds when due to and including the Redemption Date.

2.3 The Escrow Agent and the City each have received the Verification Report confirming that the principal of and interest and profit to be received from the Escrow Obligations will be sufficient to pay the Refunded Bonds at the Redemption Date as evidenced by the Verification Report.

ARTICLE III.

COVENANTS OF ESCROW AGENT

The Escrow Agent covenants and agrees with the City and the Corporation as follows:

3.1 The Escrow Agent shall hold the Escrow Obligations and all interest, income and profit derived from them and all uninvested cash in an irrevocable segregated and separate trust fund account for the sole and exclusive benefit of the registered owners of the Refunded Bonds until they are finally paid.

From time to time prior to each interest or principal payment date for the Refunded Bonds, certain uninvested balances may exist. The Escrow Agent agrees, without further order or direction, to reinvest such uninvested balances in accordance with the terms of this Section.

Any uninvested balances shall be reinvested by the Escrow Agent.. Such investments shall be scheduled to mature not later than the Redemption Date, on which date such proceeds will be needed to pay principal of and interest on the Refunded Bonds. The Escrow Agent shall hold balances not so invested in the Escrow Account on demand and in trust for the purposes of this Agreement and shall secure same in accordance with applicable California law for the securing of public funds.

3.2 The Escrow Agent shall take no action in the investment or securing of the proceeds of the Escrow Obligations or any other amounts held under this Agreement that would cause the Series 2010 Bonds or the Refunded Bonds to be classified as "arbitrage bonds" under the Code and Regulations; *provided*, that it shall be under no duty to inquire affirmatively whether the Escrow Obligations as deposited are properly invested under the Code and Regulations; and *provided further*, that it may rely on all specific directions in this Agreement in the investment or reinvestment of balances held under this Agreement.

3.3 The Escrow Agent shall promptly collect the principal, interest or profit from the Escrow Obligations and promptly apply the same as necessary to the payment of principal on the Refunded Bonds on the Redemption Date, and to the payment of interest on the Refunded Bonds when due to and including the Redemption Date.

3.4 The Escrow Agent shall remit to the Paying Agent, in good funds on or before the Redemption Date and on or before each interest payment date on the Refunded Bonds, moneys sufficient to pay such principal, premium, if any, and interest as will meet the requirements for the retirement of the Refunded Bonds as set forth in the Verification Report, and such remittances shall fully release and discharge the Escrow Agent from any further duty or obligation under this Agreement with respect to the moneys so remitted.

3.5 The Escrow Agent shall not pay any fees, due or to be due, of the Paying Agent.

3.6 The Corporation covenants to pay all reasonable and customary charges, fees and expenses of the Escrow Agent for carrying out any of the duties, terms or provisions of this Agreement. Such charges, fees and expenses shall not be paid from the Escrow Account. The Escrow Agent shall have no lien or right of set-off of any kind against the Escrow Account and shall look solely to the Corporation and its other funds for payment.

3.7 The Corporation has called the Refunded Bonds for redemption and payment prior to their maturity at a redemption price of 100 percent of their principal amount plus accrued interest to the Redemption Date. To the extent not previously provided, the Escrow Agent shall give timely notice of the call for redemption of the Refunded Bonds. The form and time of the giving of such notice regarding the Refunded Bonds shall be as specified in Section 3.8. The City shall reimburse the Escrow Agent for any actual out of pocket expenses incurred in giving such notice, but the failure of the Corporation to make such payment shall not in any respect relieve the Escrow Agent from carrying out any of the duties, terms or provisions of this Agreement.

3.8 The time, manner and form of giving notice of the call for redemption of the Refunded Bonds as provided in Section 3.7 shall be as follows:

(a) Time and Manner:

Written notice of the call for redemption of the Refunded Bonds shall be given by mailing the redemption notice by first class mail, postage prepaid, or by facsimile transmission, not less than 30 days nor more than 60 days prior to the Redemption Date for Refunded Bonds, the Bond Insurer, in any, and the Owners of the Refunded Bonds (all terms as defined in the Refunded Bonds Indenture) to be redeemed at their respective addresses as shown on the bond

register maintained by the Paying Agent in its capacity as bond registrar for the Refunded Bonds.

- (b) Notice of redemption of the Refunded Bonds will be given in substantially the following form:

NOTICE OF REDEMPTION OF OUTSTANDING
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES _____
(COMBINED EMERGENCY COMMUNICATIONS CENTER)
DATED _____ 1, _____

NOTICE IS GIVEN to the registered owners of the bonds named in the above caption (the "Bonds"), and maturing on [April] 1 of the years [2011 through 2017], inclusive, [2020 and 2024], that the City and County of San Francisco Finance Corporation (the "Corporation") has exercised its option to call for redemption and payment all of the Bonds in the aggregate principal amount of \$_____, prior to their maturity, and such Bonds will be paid on _____, 2010, upon surrender of such Bonds at the redemption price of 100 percent of their principal amount plus accrued interest to the redemption date. No such redemption will occur, however, if the redemption is cancelled because sufficient funds to effect the redemption are not on deposit with the Trustee (defined below), in accordance with Section 4.06 of the Indenture, dated as of [June 1, 1997] (the "Indenture"), between the Corporation and [_____] (the "Trustee") [as successor trustee to First Trust of California, National Association], pursuant to which the Bonds were issued and under which they are secured.

The stated maturity dates, interest rates, CUSIP Number and Bond numbers of the Bonds to be redeemed, in \$5,000 increments, are as follows:

Maturity Dates
(April 1)

Interest Rates

CUSIP Numbers

Bond Numbers

2011

2112

2013

2014

2015

2016

2017

2020

2024

Bonds should be presented for payment to the Trustee at the following addresses:

By Mail

[Address]

By Hand Delivery

[Address]

On _____, 2010, the redemption price will become due and payable upon each such Bond called for redemption, and interest shall cease to accrue upon each such Bond called for redemption from and after _____, 2010, unless the redemption is cancelled as described above.

To assure prompt payment of the redemption price, Bonds should be sent unendorsed approximately two weeks before _____, 2010 to one of the above given addresses. The method of delivery of the Bonds for payment is at the election and risk of the registered owner, but if sent by mail, insured, registered or certified mail, return receipt requested, is recommended.

To avoid a 31 percent backup withholding tax required by the Internal Revenue Code, registered owners must submit a properly completed IRS Form W-9 with their Bonds, unless such form has been previously provided.

By order of the City and County of San Francisco Finance Corporation dated _____, 2010.

CITY AND COUNTY OF SAN FRANCISCO FINANCE
CORPORATION

By: [TRUSTEE],
Its Authorized Agent

/s/ _____

3.9 The Escrow Agent has all the powers and duties set forth in this Agreement with no liability in connection with any act or omission to act under this Agreement, except for its own negligence or willful breach of trust, and shall be under no obligation to (i) institute any suit or action or other proceeding under this Agreement or (ii) enter any appearance in any suit, action or proceeding in which it may be defendant or (iii) take any steps in the enforcement of its, or any, rights and powers under this Agreement, nor shall it be deemed to have failed to take any such action, unless and until it shall have been indemnified by the Corporation to the Escrow Agent's satisfaction against any and all costs and expenses, outlays, counsel fees and other

disbursements, including its own reasonable fees, and if any judgment, decree or recovery is obtained by the Escrow Agent, payment of all sums due it shall be a first charge against the amount of any such judgment, decree or recovery.

3.10 The Escrow Agent may in good faith buy, sell or hold and deal in any of the Series 2010 Bonds or the Refunded Bonds.

3.11 The Escrow Agent will submit to the Controller a statement within 45 days after the redemption date, itemizing all moneys received by it and all payments made by it under the provisions of this Agreement and also listing the Escrow Obligations on deposit with it on the date of said report, including all moneys held by it received as interest on or profit from the collection of the Escrow Obligations.

3.12 If at any time it shall appear to the Escrow Agent that the available proceeds of the Escrow Obligations and deposits on demand in the Escrow Account will not be sufficient to make any payment due to the registered owners of any of the Refunded Bonds, the Escrow Agent shall notify the Controller, not less than 5 days prior to such date and the Corporation agrees that it will from any funds legally available for such purpose make up the anticipated deficit so that no default in making any such payment will occur.

ARTICLE IV.

COVENANTS OF CORPORATION

The Corporation covenants and agrees with the Escrow Agent as follows:

4.1 The Escrow Agent shall have no responsibility or liability for (a) any of the recitals of the Corporation in this Agreement, (b) the performance of or compliance with any covenant, condition, term or provision of the Refunded Bonds Indenture, and (c) any undertaking or statement of the Corporation under this Agreement or under the Series 2010 Bond Resolutions.

4.2 All payments to be made by, and all acts and duties required to be done by, the Escrow Agent under the terms and provisions of this Agreement, shall be made and done by the Escrow Agent without any further direction or authority of the Corporation or the Controller.

4.3 The Corporation shall take no action regarding the proceeds of the Series 2010 Bonds that would cause the Series 2010 Bonds to be classified as "arbitrage bonds" under the Code and Regulations. The Corporation shall take any and all further action necessary to ensure that (i) adequate provision is made for the payment of the Refunded Bonds and (ii) neither the Refunded Bonds nor the Series 2010 Bonds are classified as "arbitrage bonds" under the Code and Regulations.

ARTICLE V.

AMENDMENTS, REINVESTMENT OF FUNDS, IRREVOCABILITY OF AGREEMENT

5.1 This Agreement may be amended or supplemented, and all or any portion of the Escrow Obligations may be sold or redeemed and moneys derived from such sale or redemption may be invested, reinvested in Government Obligations that are not redeemable by the issuer prior to maturity or disbursed in any manner (any such amendment, supplement, direction to sell or redeem, or invest, reinvest or disburse to be referred to as a "*Subsequent Action*"), upon submission to the Escrow Agent of each of the following:

(1) Written direction of the Controller or other authorized officer of the Corporation authorizing the Subsequent Action.

(2) An opinion of nationally recognized bond counsel or tax counsel nationally recognized as having expertise in the area of tax-exempt municipal bonds that the Subsequent Action will not cause the interest on the Series 2010 Bonds or any of the Refunded Bonds to become includable in the gross income of their owners for federal income tax purposes under the laws of the United States of America providing for taxation of income as and to the extent contemplated when such bonds were issued, and that the Subsequent Action does not materially adversely affect the legal rights of the registered owners of the Series 2010 Bonds or any of the Refunded Bonds.

(3) An opinion of a firm of nationally recognized independent certified public accountants that the amounts (that will consist of cash or deposits on demand held in trust or receipts from Government Obligations, all of which shall be held under this Agreement) available or to be available for payment of the Refunded Bonds will remain sufficient to pay when due and as called for redemption all principal of, premium and interest on the Refunded Bonds after the taking of the Subsequent Action.

5.2 The Corporation and the Escrow Agent may amend or add to the terms of this Agreement to correct errors, clarify ambiguities or insert inadvertently omitted material but only if any such correction, clarification or insertion has absolutely no adverse impact on the registered owners of the Series 2010 Bonds or any of the Refunded Bonds. The Corporation may supplement this Agreement by providing for notice prior to any amendment to such parties as it may name in any such supplement, which will be effective upon filing with the Escrow Agent.

5.3 Except as provided in Sections 5.1 and 5.2, all of the rights, powers, duties and obligations of the Escrow Agent under this Agreement shall be irrevocable and shall not be subject to amendment by the Escrow Agent and shall be binding on any successor to the Escrow Agent during the term of this Agreement.

5.4 Except as provided in Sections 5.1 and 5.2, all of the rights, powers, duties and obligations of the Corporation or the Controller under this Agreement shall be irrevocable and shall not be subject to amendment by the Corporation or the Controller and shall be binding on

any successor to the Corporation or any official of the Corporation during the term of this Agreement.

ARTICLE VI.

NOTICE TO THE CORPORATION THE CONTROLLER AND THE ESCROW AGENT

6.1 All notices and communications to the Corporation and the Controller shall be addressed in writing to: Director, Office of Public Finance of the City and County of San Francisco, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102, or to such other address as is furnished from time to time by the City or the Corporation.

6.2 All notices and communications to the Escrow Agent shall be addressed in writing to: [Escrow Agent], [Address], San Francisco, California 94102, Attention: Corporate Trust Department, or to such other address as is furnished from time to time by the Escrow Agent.

ARTICLE VII.

RESIGNATION AND REPLACEMENT OF ESCROW AGENT

7.1 The Escrow Agent may at any time resign as Escrow Agent under this Agreement by giving 30 days' written notice to the Controller, and such resignation shall take effect upon the appointment of a successor Escrow Agent by the Controller. The Controller may select as successor Escrow Agent any financial institution with capital, surplus and undivided profits of at least \$10,000,000 located within the City and County of San Francisco that is authorized to maintain trust accounts under federal or California law.

ARTICLE VIII.

TERMINATION OF AGREEMENT

8.1 Upon final disbursement of funds sufficient to pay principal of and interest on the Refunded Bonds as provided above, the Escrow Agent shall transfer any balance remaining in the Escrow Account to the Corporation, and thereupon this Agreement shall terminate.

IN WITNESS WHEREOF, the City and County of San Francisco, the City and County of San Francisco Finance Corporation, has caused this Agreement to be signed in its name by _____; and [Escrow Agent], San Francisco, California, not individually, but in the capacity as described in this Agreement, has caused this Agreement to be signed in its corporate name by one of its authorized officers, all as of the date hereof.

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**

BY: _____
Its

CITY AND COUNTY OF SAN FRANCISCO

BY: _____
Controller

**[ESCROW AGENT],
as Escrow Agent**

By: _____
Its: Vice President

Exhibit A

Escrow Obligations

Government
Obligation

Type

Acquisition
Date

Maturity

Principal
Amount

Interest
Rate

Verification Report

[Attach Verification Report]

CH2\8701630.1

RECORDING REQUESTED BY:
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

When Recorded Mail To:
Schiff Hardin LLP
One Market
Spear Street Tower, 32nd Floor
San Francisco, California 94105
Attention: Stephen M. Hankins

FACILITIES LEASE

between

CITY AND COUNTY OF SAN FRANCISCO,

as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION,

as Lessee

Dated as of _____, 2010

NO DOCUMENTARY TRANSFER TAX

This Facilities Lease is exempt from filing fees pursuant to
Section 6103 of the California Government Code.

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FACILITIES LEASE

This FACILITIES LEASE, dated as of _____, 2010 (the "Facilities Lease"), is entered into between the CITY AND COUNTY OF SAN FRANCISCO, a charter city and county and municipal corporation, duly organized and existing under and by virtue of its Charter and the Constitution of the State of California, as lessor (the "City"), and the CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a nonprofit public benefit corporation, duly organized and existing under and by virtue of the laws of the State of California, as lessee (the "Corporation").

WITNESSETH:

That in consideration of the mutual promises and agreements contained in this Facilities Lease, the parties agree as follows:

Section 1. Definitions; Interpretation.

All capitalized terms used in this Facilities Lease and not otherwise defined in it shall have the meanings given to such terms in that certain Master Lease, dated as of _____, 2010, and recorded concurrently with this Facilities Lease (the "Lease"), between the Corporation, as lessor, and the City, as lessee, and that certain Master Trust Agreement, dated as of _____, 2010 (the "Trust Agreement"), between the Corporation and [Trustee], as trustee (the "Trustee"). The rules of interpretation in Section 1.02 of the Lease shall apply to this Facilities Lease.

Section 2. Lease of Facilities.

The City leases to the Corporation certain facilities, as more particularly described in *Exhibit A* attached to and incorporated in this Facilities Lease by this reference (the "Facilities"), located on certain real property within the City, as more particularly described in *Exhibit B* attached to and incorporated in this Facilities Lease by this reference (the "Site"), subject to (i) the terms of this Facilities Lease and (ii) Permitted Encumbrances. The City also grants to the Corporation such rights of ingress and egress to the Facilities as the Corporation may require in order to fulfill its obligations under this Facilities Lease and under the Lease.

Section 3. Ownership.

The City represents that it is the sole owner of and holds fee title to the Facilities, subject to Permitted Encumbrances.

Section 4. Term.

(a) The term of this Facilities Lease shall commence on the date it is recorded in the official records of the City and shall end on the day after the termination of the Lease (other than a termination pursuant to Section 7.01(a) of the Lease).

(b) Upon termination of this Facilities Lease, all of the Corporation's and the Trustee's interest in the Facilities shall vest with the City.

Section 5. Rent.

The Corporation shall pay to the City an advance rent of \$_____ as full consideration for this Facilities Lease over its term. The Corporation is obtaining the advance rent payment from the proceeds of the sale of the Bonds issued pursuant to the Trust Agreement. The City acknowledges receipt of the advance rent by the Trustee and, in consideration thereof, the City agrees to use such sum for the purpose of refunding and retiring the Refunded Bonds and paying certain costs associated with such refunding; and in further consideration thereof, the City has entered into the Lease with the Corporation. The Corporation waives any right that it may have under the laws of the State of California to receive a rebate of such rent in whole or in part if there is a substantial interference with the use and right of possession of the Corporation of all or any portion of the Facilities as a result of material damage, destruction, or condemnation.

Section 6. Purpose.

The Corporation shall use the Facilities only for the purposes described in the Lease and for such other purposes as may be incidental to those described in the Lease.

Section 7. Assignment and Lease.

So long as the Lease is in effect and there has been no event of default under the Lease, the Corporation shall not assign, mortgage, hypothecate, or otherwise encumber this Facilities Lease or any rights under this Facilities Lease, or the leasehold created by this Facilities Lease, by trust agreement, indenture, or deed of trust or otherwise, or sublet the Facilities unless first approved by the City by written instrument executed and approved in the same manner as this Facilities Lease, except that the City expressly approves and consents to the Lease.

Section 8. Right of Entry.

The City reserves the right for any of its duly authorized representatives to enter upon the Facilities at any reasonable time.

Section 9. Expiration.

The Corporation agrees, upon the expiration of this Facilities Lease, to quit and surrender the Facilities, it being the understanding of the parties that upon termination of this Facilities Lease title to the Facilities shall vest in the City free and clear of any interest of the Corporation or any assignee of the Corporation.

Section 10. Quiet Enjoyment.

The Corporation at all times during the term of this Facilities Lease shall peaceably and quietly have, hold, and enjoy all of the Facilities.

Section 11. Taxes.

The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Facilities.

Section 12. Eminent Domain.

If the whole or any part of the Facilities is taken under the power of eminent domain, the interest of the Corporation shall be recognized and is determined to be the aggregate amount of unpaid Base Rental payments under the Lease through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, as assignee of the interest of the Corporation under this Facilities Lease, in accordance with the terms of the Lease and the Trust Agreement.

Section 13. Default.

If the Corporation or its assignee is in default in the performance of any obligation on its part to be performed under the terms of this Facilities Lease, the City may exercise any and all remedies granted by law, except that no merger of this Facilities Lease and of the Lease shall be deemed to occur as a result of such exercise; *provided*, that the City shall have no power to terminate this Facilities Lease by reason of any default on the part of the Corporation or its assignee so long as any Bonds are Outstanding. So long as any such assignee of the Corporation or any successor in interest to the Corporation duly performs the terms and conditions of this Facilities Lease, such assignee or successor in interest shall be deemed to be and shall become the tenant of the City under this Facilities Lease and shall be entitled to all of the rights and privileges granted under any such assignment.

Section 14. Notices.

All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments, or designations under this Facilities Lease by either party to the other shall be in writing and shall be sufficiently given and served upon the other party, if delivered by hand directly to the offices named below or sent by first-class mail, postage prepaid, overnight courier or telecopier, addressed as follows:

City: City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, California 94102
Attn: City Controller

With a copy to:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, California 94102
Attn: Director of Public Finance

Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attn: Finance Team

Corporation: City and County of San Francisco
Finance Corporation
c/o City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Attn: Chief Financial Officer

or to such other address or addresses as one party may designate to the other by notice given in accordance with the provisions of this Section 14.

Section 15. Non-Liability of City Officials, Employees, and Agents.

No elective or appointive board, commission, member, officer, or other agent of the City shall be personally liable to the Corporation, or its successors and assigns, in the event of any default or breach by the City or for any amount which may become due to the Corporation, or its successors and assigns, or for any obligation of the City under this Facilities Lease.

Section 16. Partial Invalidity.

If any one or more of the terms, provisions, promises, covenants, or conditions of this Facilities Lease shall to any extent be adjudged invalid, unenforceable, void, or voidable for any reason by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants, and conditions of this Facilities Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Governing Law.

This Facilities Lease shall be governed by the laws of the State of California.

Section 18. Amendment.

This Facilities Lease may be amended only in accordance with and as permitted by the terms of Section 9.01 of the Trust Agreement and Section 15.08 of the Lease.

Section 19. Submitting False Claims; Monetary Penalties.

Pursuant to Section 21.35 of the San Francisco Administrative Code (the “**Administrative Code**”), any contractor, subcontractor, or consultant who submits a false claim shall be liable to the City for three times the amount of damages that the City sustains because of the false claim. A contractor, subcontractor, or consultant who submits a false claim shall also be liable to the City for the costs, including attorneys’ fees, of a civil action brought to recover any of those penalties or damages, and may be liable to the City for a civil penalty of up to

\$10,000 for each false claim. A contractor, subcontractor, or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor, or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 20. Conflict of Interest.

Through its execution of this Facilities Lease, the Corporation acknowledges that it is familiar with the provision of Section 15.103 of the Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the California Government Code, and certifies that it does not know of any facts that constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Facilities Lease.

Section 21. Proprietary or Confidential Information of City.

The Corporation understands and agrees that, in the performance of the work or services under this Facilities Lease or in contemplation of such performance, the Corporation may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Corporation agrees that all information disclosed by the City to the Corporation shall be held in confidence and used only in performance of this Facilities Lease. The Corporation shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data. The Trustee shall be subject to the requirements of Section 12.15 of the Trust Agreement.

Section 22. Ownership of Results.

Any interest of the Corporation in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files, and media or other documents prepared by the Corporation in connection with services to be performed under this Facilities Lease shall become the property of and will be transmitted to the City. However, the Corporation may retain and use copies for reference and as documentation of its experience and capabilities.

Section 23. Works for Hire.

If, in connection with services performed under this Facilities Lease, the Corporation creates artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes, or any other original works of authorship, such works of authorship shall be works for hire as defined under

Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Corporation under this Facilities Lease are not works for hire under the laws of the United States, the Corporation assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Corporation may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 24. Audit and Inspection of Records.

The Corporation agrees to maintain and make available to the City, during regular business hours and upon reasonable notice, accurate books and accounting records relating to its work under this Facilities Lease. The Corporation will permit City to audit, examine, and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records, or personnel and other data related to all other matters covered by this Facilities Lease, whether funded in whole or in part under this Facilities Lease. The Corporation shall maintain such data and records in an accessible location and condition for a period of not less than five (5) years after final payment under this Facilities Lease or until after final audit has been resolved, whichever is later. The State or any federal agency having an interest in the subject matter of this Facilities Lease shall have the same rights conferred upon the City by this Section 24.

Section 25. Subcontracting.

The Corporation is prohibited from subcontracting this Facilities Lease or any part of it unless such subcontracting is first approved by the City in writing. Neither party shall, on the basis of this Facilities Lease, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any person and shall be null and void.

Section 26. Assignment.

The services to be performed by the Corporation are personal in character and neither this Facilities Lease nor any duties or obligations under it may be assigned or delegated by the Corporation unless first approved by the City by written instrument executed and approved in the same manner as this Facilities Lease.

Section 27. Non-Waiver of Rights.

The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions of this Facilities Lease by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

Section 28. Earned Income Credit (EIC) Forms.

Section 120 of the Administrative Code requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and

the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Corporation shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty (30) days following the date on which this Facilities Lease becomes effective (unless the Corporation has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Corporation; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Facilities Lease.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section 28 shall constitute a material breach by the Corporation of the terms of this Facilities Lease. If, within thirty (30) days after the Corporation receives written notice of such a breach, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, the Corporation fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Facilities Lease or under applicable law.

(c) Any Subcontract entered into by the Corporation shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section 28.

(d) Capitalized terms used in this Section 28 and not defined in this Facilities Lease shall have the meanings assigned to such terms in Section 120 of the Administrative Code.

Section 29. Local Business Enterprise Utilization; Liquidated Damages.

(a) *The LBE Ordinance.*

The Corporation shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the Administrative Code as it now exists or as it may be amended in the future (collectively, the "**LBE Ordinance**"), *provided* that such amendments do not materially increase the Corporation's obligations or liabilities, or materially diminish the Corporation's rights, under this Facilities Lease. Such provisions of the LBE Ordinance are incorporated in this Section 29 by this reference and made a part of this Facilities Lease as though fully set forth in this Section 29. The Corporation's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Corporation's obligations under this Facilities Lease and shall entitle the City, subject to any applicable notice and cure provisions set forth in this Facilities Lease, to exercise any of the remedies provided for under this Facilities Lease, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Facilities Lease expressly provides that any remedy is exclusive. In addition, the Corporation shall comply fully with all other applicable local, state, and federal

laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) Compliance and Enforcement.

If the Corporation willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Facilities Lease pertaining to LBE Ordinance participation, the Corporation shall be liable for liquidated damages in an amount equal to the Corporation's net profit on this Facilities Lease, or ten percent (10%) of the total amount of this Facilities Lease, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "**Director of HRC**") may also impose other sanctions against the Corporation authorized in the LBE Ordinance, including declaring the Corporation to be irresponsible and ineligible to contract with the City for a period of up to five (5) years or revocation of the Corporation's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Section 14B.17 of the Administrative Code.

By entering into this Facilities Lease, the Corporation acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to the City upon demand. The Corporation further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Corporation on any contract with the City.

The Corporation agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three (3) years following termination or expiration of this Facilities Lease, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 30. Nondiscrimination; Penalties.

(a) Corporation Shall Not Discriminate.

In the performance of this Facilities Lease, the Corporation agrees not to discriminate against any employee, the City employee working with the Corporation, applicant for employment with such Corporation, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability, or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts.

The Corporation shall incorporate by reference in all subcontracts related to this Facilities Lease the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the Administrative Code and shall require all subcontractors to comply with such provisions. The

Corporation's failure to comply with the obligations in this subsection shall constitute a material breach of this Facilities Lease.

(c) *Nondiscrimination in Benefits.*

The Corporation does not as of the date of this Facilities Lease and will not during the term of this Facilities Lease, in any of its operations in the City, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the Administrative Code.

(d) *Condition to Contract.*

As a condition to this Facilities Lease, the Corporation shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) *Incorporation of Administrative Code Provisions by Reference.*

The provisions of Chapters 12B and 12C of the Administrative Code are incorporated in this Section by this reference and made a part of this Facilities Lease as though fully set forth in it. The Corporation shall comply fully with and be bound by all of the provisions that apply to this Facilities Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Corporation understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Facilities Lease may be assessed against the Corporation and/or deducted from any payments due the Corporation.

Section 31. MacBride Principles-Northern Ireland.

Pursuant to Administrative Code Section 12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges companies in the City to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Facilities Lease on behalf of the Corporation, acknowledges and agrees that he or she has read and understood this Section 31.

Section 32. Tropical Hardwood and Virgin Redwood Ban.

Pursuant to Section 804(b) of the City's Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood product.

Section 33. Drug-Free Workplace Policy.

The Corporation acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Corporation agrees that any violation of this prohibition by the Corporation, its employees, agents, or assigns will be deemed a material breach of this Facilities Lease.

Section 34. Resource Conservation.

Chapter 5 of the City's Environment Code ("Resource Conservation") is incorporated in this Facilities Lease by this reference. Failure by the Corporation to comply with any of the applicable requirements of the Resource Conservation will be deemed a material breach of this Facilities Lease.

Section 35. Compliance with Americans with Disabilities Act.

The Corporation acknowledges that, pursuant to the Americans with Disabilities Act ("ADA"), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Corporation shall provide the services specified in this Facilities Lease in a manner that complies with the ADA and any and all other applicable federal, state, and local disability rights legislation. The Corporation agrees not to discriminate against disabled persons in the provision of services, benefits, or activities provided under this Facilities Lease and further agrees that any violation of this prohibition on the part of the Corporation, its employees, agents, or assigns will constitute a material breach of this Facilities Lease.

Section 36. Sunshine Ordinance.

In accordance with Section 67.24(e) of the Administrative Code, contracts, contractors' bids, responses to solicitations, and all other records of communications between the City and persons or firms seeking contracts shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this Section will be made available to the public upon request.

Section 37. Public Access to Meetings and Records.

If the Corporation receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the Administrative Code, the Corporation shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Facilities Lease, the Corporation agrees to open its

meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. The Corporation further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Corporation acknowledges that its material failure to comply with any of the provisions of this Section shall constitute a material breach of this Facilities Lease. The Corporation further acknowledges that such material breach of this Facilities Lease shall be grounds for the City to terminate and/or not renew this Facilities Lease, partially or in its entirety.

Section 38. Limitations on Contributions.

Through execution of this Facilities Lease, the Corporation acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies, or equipment, for the sale or lease of any land or building, or for a grant, loan, or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Corporation acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Corporation further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Corporation's Board of Directors; the Corporation's chairperson, chief executive officer, chief financial officer, and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in the Corporation; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Corporation. The Corporation agrees to provide to the City the names of each person, entity or committee described in the previous sentence. Additionally, the Corporation acknowledges that the Corporation must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 of the City's Campaign and Governmental Conduct Code.

Section 39. Requiring Minimum Compensation for Covered Employees.

The Corporation agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in Administrative Code Chapter 12P ("**Chapter 12P**"), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated in this Facilities Lease by this reference and made a part of this Facilities Lease as though fully set forth in it. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Corporation's obligations under the MCO is set forth in this Section. The Corporation is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section 39 and not defined in this Facilities Lease shall have the meanings ascribed to such terms in Chapter 12P.

(a) The MCO requires the Corporation to pay the Corporation's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Corporation is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Corporation shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Corporation's obligation to ensure that any subcontractors of any tier under this Facilities Lease comply with the requirements of the MCO. If any subcontractor under this Facilities Lease fails to comply, City may pursue any of the remedies set forth in this Section against the Corporation.

(b) The Corporation shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(c) The Corporation shall maintain employee and payroll records as required by the MCO. If the Corporation fails to do so, it shall be presumed that the Corporation paid no more than the minimum wage required under State law.

(d) The City is authorized to inspect the Corporation's job sites and conduct interviews with employees and conduct audits of the Corporation.

(e) The Corporation's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Facilities Lease. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Corporation fails to comply with these requirements. The Corporation agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Corporation's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(f) The Corporation understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of this Facilities Lease and under applicable law. If, within 30 days after receiving written notice of a breach of this Facilities Lease for violating the MCO, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(g) The Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(h) If the Corporation is exempt from the MCO when this Facilities Lease is executed because the cumulative amount of agreements with this City for the fiscal year is less than \$25,000, but the Corporation later enters into an agreement or agreements that cause the Corporation to exceed that amount in a fiscal year, the Corporation shall thereafter be required to comply with the MCO under this Facilities Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Corporation and this City to exceed \$25,000 in the fiscal year.

Section 40. Requiring Health Benefits for Covered Employees.

The Corporation agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (“HCAO”), as set forth in Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by this reference and made a part of this Facilities Lease as though fully set forth in it. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Facilities Lease shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, the Corporation shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Corporation chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Corporation is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with subsection (a) above.

(c) The Corporation’s failure to comply with the HCAO shall constitute a material breach of this Facilities Lease. City shall notify the Corporation if such a breach has occurred. If, within thirty (30) days after receiving the City’s written notice of a breach of this Facilities Lease for violating the HCAO, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, the Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in Sections 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Subcontract entered into by the Corporation shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Corporation shall notify the City’s Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Corporation shall be responsible for its Subcontractors’ compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section

against the Corporation based on the Subcontractor's failure to comply, *provided* that the City has first provided the Corporation with notice and an opportunity to obtain a cure of the violation.

(e) The Corporation shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Corporation's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) The Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) The Corporation shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) The Corporation shall keep itself informed of the current requirements of the HCAO.

(i) The Corporation shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) The Corporation shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten (10) business days to respond.

(k) The Corporation shall allow the City to inspect the Corporation's job sites and have access to the Corporation's employees in order to monitor and determine compliance with HCAO.

(l) The City may conduct random audits of the Corporation to ascertain its compliance with HCAO. The Corporation agrees to cooperate with the City when it conducts such audits.

(m) If the Corporation is exempt from the HCAO when this Facilities Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Corporation later enters into an agreement or agreements that cause the Corporation's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Corporation and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 41. Prohibition on Political Activity with City Funds.

In accordance with Administrative Code Chapter 12.G, the Corporation may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, “**Political Activity**”) in the performance of the services provided under this Facilities Lease. The Corporation agrees to comply with Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City’s Controller. The terms and provisions of Chapter 12.G are incorporated in this Facilities Lease by this reference. If the Corporation violates the provisions of this Section, the City may, in addition to any other rights or remedies available under this Facilities Lease, (i) terminate this Facilities Lease, and (ii) prohibit the Corporation from bidding on or receiving any new City contract for a period of two (2) years. The City’s Controller will not consider the Corporation’s use of compensation or profit as a violation of this Section.

Section 42. Preservative-treated Wood Containing Arsenic.

The Corporation may not purchase preservative-treated wood products containing arsenic in the performance of this Facilities Lease unless an exemption from the requirements of Chapter 13 of the City’s Environment Code is obtained from the Department of the Environment under Section 1304 of the Environment Code. The term “preservative-treated wood containing arsenic” shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Corporation may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude the Corporation from purchasing preservative treated wood containing arsenic for saltwater immersion. The term “saltwater immersion” shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 43. Agreement Made in California; Venue.

The formation, interpretation, and performance of this Facilities Lease shall be governed by the laws of the State. Venue for all litigation relative to the formation, interpretation, and performance of this Facilities Lease shall be in the City.

Section 44. Compliance with Laws.

The Corporation shall keep itself fully informed of the Charter, codes, ordinances, and regulations of the City and of all state and federal laws in any manner affecting the performance of this Facilities Lease, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

Section 45. Protection of Private Information.

The Corporation has read and agrees to the terms set forth in Administrative Code Sections 12M.2, “Nondisclosure of Private Information,” and 12M.3, “Enforcement” of Administrative Code Chapter 12M, “Protection of Private Information,” which are incorporated in this Facilities Lease as if fully set forth in it. The Corporation agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of the Administrative Code shall be

a material breach of this Facilities Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the contract, bring a false claim action against the Corporation pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Corporation. The Trustee shall be subject to the requirements of Section 12.39 of the Trust Agreement.

Section 46. Graffiti Removal.

Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti. The Corporation shall remove all graffiti from any real property owned or leased by the Corporation in the City within forty eight (48) hours of the earlier of the Corporation's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Corporation to breach any lease or other agreement that it may have concerning its use of the affected real property. For purposes of this Section, the term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. The term "graffiti" does not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the City's Public Works Code, the City's Planning Code or the City's Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*). Any failure of the Trustee to comply with this section of this Indenture shall constitute a breach under this Facilities Lease.

Section 47. Food Service Waste Reduction Requirements.

The Corporation agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the City's Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Facilities Lease by this reference and made a part of this Facilities Lease as though fully set forth in it. This provision is a material term of this Facilities Lease. By entering into this Facilities Lease, the Corporation agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Corporation agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the

second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Facilities Lease was entered into. Such amount shall not be considered a penalty, but rather shall be agreed monetary damages sustained by City because of the Corporation's failure to comply with this Section.

Section 48. Cooperative Drafting.

This Facilities Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Facilities Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Facilities Lease, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Facilities Lease.

Section 49. No Enforcement.

Notwithstanding anything in this Facilities Lease to the contrary, the City acknowledges that the Corporation has no employees and no business other than issuing bonds for the benefit of the City and therefore the City shall be wholly responsible for assuring compliance with the requirements of Sections 19 through 48.

Section 50. Execution in Counterparts.

This Facilities Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Corporation and the City have caused this Facilities Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**

By: _____
President

[SEAL]

Attest:

By: _____
Secretary

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

Attest:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:
Dennis J. Herrera
City Attorney

By: _____
Deputy City Attorney

ACKNOWLEDGMENT

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally appeared

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

ACKNOWLEDGMENT

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally appeared _____

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

DESCRIPTION OF THE FACILITIES

The Facilities consist of [Description of Facilities] located at _____,
City and County of San Francisco, California.

EXHIBIT B

DESCRIPTION OF THE SITE

The site referred to in this Facilities Lease is situated in the City of San Francisco, County of San Francisco, State of California, and is described as follows:

Approved by: _____

RECORDING REQUESTED BY:
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

When Recorded Mail To:

Schiff Hardin LLP
One Market
Spear Street Tower, 32nd Floor
San Francisco, California 94105
Attention: Stephen M. Hankins

MASTER LEASE

between

**CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION,
as Lessor**

and

**CITY AND COUNTY OF SAN FRANCISCO,
as Lessee**

Dated as of _____, 2010

NO DOCUMENTARY TRANSFER TAX

**This Master Lease is exempt pursuant to
Section 1105 of the Real Property Transfer Tax Ordinance.**

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EXHIBIT D – FORM OF CERTIFICATE OF SUBSTANTIAL COMPLETION

MASTER LEASE

This MASTER LEASE, dated as of _____, 2010 (this "Lease"), is entered into between the CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a nonprofit public benefit corporation, duly organized and existing under and by virtue of the laws of the State of California, as lessor (the "**Corporation**"), and the CITY AND COUNTY OF SAN FRANCISCO, a charter city and county and municipal corporation, duly organized and existing under and by virtue of its Charter and the Constitution of the State of California, as lessee (the "**City**").

RECITALS

WHEREAS, the Corporation is a nonprofit public benefit corporation, duly organized and existing under and pursuant to the California Nonprofit Public Benefit Corporation Law, being Part 2 of Title 1 (commencing with Section 5110) of the California Corporations Code (the "**Law**"), and is authorized pursuant to the Law and its Articles of Incorporation to borrow money for the purpose, among other things, of financing public capital improvements for the City and refinancing indebtedness incurred for such purpose; and

WHEREAS, the Corporation previously issued certain bonds (collectively, the "**Refunded Bonds**") in order to finance, on behalf of the City pursuant to related leasing arrangements, the acquisition, construction, installation and equipping of a structure or structures; communications, telecommunications and data processing equipment and software; and related facilities and furnishings comprising the City's Emergency Communications System (collectively the "**Refunded Bonds Project**")[, including the Combined Emergency Communications Center located at _____, in the City (the "**Center**")]; and

WHEREAS, the Refunded Bonds are comprised of (a) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1997 (Combined Emergency Communications Center), now outstanding in the aggregate principal amount of \$ _____, (b) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998 (Combined Emergency Communications System Equipment), now outstanding in the aggregate principal amount of \$ _____; (c) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998-I (Citywide Emergency Radio System), now outstanding in the aggregate principal amount of \$ _____; and (d) the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1999-I (Citywide Emergency Radio System), now outstanding in the aggregate principal amount of \$ _____; and

WHEREAS, the City is entering into this Lease pursuant to Section 9.108 of the Charter of the City, which provides that the City may enter into lease financing arrangements without referendum approval for the purpose of refunding a lease financing which is expected to result in net savings in rental payments to the City on a present value basis, calculated as provided by ordinance; and

WHEREAS, the Corporation will issue its \$[Principal Amount] aggregate principal amount of Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communications

System Refinancing) (the “**Series 2010 Bonds**”), pursuant to that certain Master Trust Agreement, dated as of _____, 2010 (the “**Trust Agreement**”), between the Corporation and [Trustee], as trustee (the “**Trustee**”); and

WHEREAS, the Corporation and the City intend to use the proceeds from the sale of the Series 2010 Bonds for the purpose of refunding and retiring the Refunded Bonds and paying certain costs associated with such refunding; and

WHEREAS, pursuant to a Facilities Lease, dated as of _____, 2010 (the “**Facilities Lease**”), between the City, as lessor, and the Corporation, as lessee, the Corporation will lease certain facilities, as more particularly described in *Exhibit A* attached to and incorporated in this Lease by this reference (the “**Facilities**”), located on certain real property within the City, as more particularly described in *Exhibit B* attached to and incorporated in this Lease by this reference (the “**Site**”), from the City and, pursuant to this Lease, the City will lease the Facilities from the Corporation; and

WHEREAS, the Facilities under this Lease, as of the date of this Lease, are complete and are available for beneficial use and occupancy and are used and occupied by the City; and

WHEREAS, the Corporation will lease the Facilities to the City and will use amounts received from the City as Base Rental (as defined below) under this Lease to pay debt service on the Series 2010 Bonds and any additional Parity Bonds (collectively, the “**Bonds**”); and

WHEREAS, pursuant to and in accordance with certain provisions of the Trust Agreement and this Lease, the Corporation may issue additional Parity Bonds payable from Base Rental on a parity with the Series 2010 Bonds, for the purpose of financing or refinancing the construction, reconstruction, rehabilitation, or improvement of additional components of the Project; and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to and in connection with the execution and entering into of this Lease do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties to this Lease are now duly authorized to execute and enter into this Lease;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Lease, the parties to this Lease agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, the capitalized terms defined in this Section 1.01 shall have the meanings specified below for all purposes of this Lease.

"A.M. Best Company," means A.M. Best Company, its successors and their assigns, and, if such entity is dissolved or liquidated or no longer performs the functions of an insurance rating agency, it shall be deemed to refer to any other nationally recognized insurance rating agency selected by the City.

"Additional Rental" means all amounts payable to the Corporation from the City as Additional Rental pursuant to Section 3.02.

"Administrative Code" means the City's Administrative Code, as from time to time amended.

"Annual Debt Service," when used in connection with any series of Bonds, means, for each Fiscal Year, the sum of (1) the interest falling due on such series of Bonds in such twelve-month period, assuming that the Bonds of such series are retired as scheduled; and (2) the principal amount of such series of Bonds, if any, falling due by their terms in such twelve-month period, whether at maturity or through mandatory sinking fund redemption.

"Assignment Agreement" means that certain Assignment Agreement, dated as of _____, 2010, between the Corporation and the Trustee, as the same may be amended from time to time.

"Authorized Representative" means, with respect to the Corporation, the Corporation's President, Chief Financial Officer, or Secretary, and, with respect to the City, the City's Mayor, Controller, Director of Real Estate, or Director of Public Finance, or such other Person as may be designated in writing to the Trustee and authorized to sign for the Corporation or the City, as applicable.

"Base Rental" means all amounts payable to the Corporation by the City as Base Rental pursuant to Section 3.01 (excluding Additional Rental).

"Base Rental Payment Date" means any date on which Base Rental is scheduled to be paid under this Lease, being March 15 and September 15 of each year, commencing on _____ 15, 201__ (subject to the provisions of Section 3.01).

"Base Rental Payment Schedule" means the schedule of Base Rental payments payable to the Corporation from the City pursuant to Section 3.01, as set forth in *Exhibit C* attached to and incorporated in this Lease by this reference, as the same may be revised or supplemented in connection with the issuance of Parity Bonds as provided in this Lease and in the Trust Agreement.

"Bond Financed Facilities Component" means a component of the Project that is part of the Facilities.-

"Bondowner," "Owner," "Holder," and "Bondholder" mean as provided in the Trust Agreement.

"Bonds" means the Series 2010 Bonds and any Parity Bonds issued in accordance with this Lease and the Trust Agreement.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) a day on which banking institutions are authorized or required by law or executive order to be closed in the State for commercial banking purposes, (c) a day on which trading on the New York Stock Exchange is suspended for more than four hours, or (d) a day on which the New York Stock Exchange is closed for a state or national holiday.

“Certificate,” “Certificate of the Corporation,” or “Certificate of the City”; “Statement,” “Statement of the Corporation,” or “Statement of the City”; “Request,” “Request of the Corporation,” or “Request of the City”; and “Requisition,” “Requisition of the Corporation,” or “Requisition of the City” mean, respectively, a written certificate, statement, request, or requisition signed in the name of the Corporation by an Authorized Representative of the Corporation or in the name of the City by an Authorized Representative of the City, or such other Person as may be designated in writing to the Trustee and authorized to sign for the Corporation or the City, as applicable. Any such instrument and supporting opinions or representations, if any, may be, but need not be, combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

Any Certificate or Statement of the Corporation or the City, as applicable, may be based, insofar as it relates to legal, accounting, or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, unless the officer signing such certificate or statement knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. The same officer of the Corporation or the City, or the same counsel, accountant, or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of this Lease, but different officers, counsel, accountants, or engineers may certify to different matters.

“Certificate of Substantial Completion” means, with respect to a Bond Financed Facilities Component relating to a Series of Parity Bonds, the notice filed with the Trustee by the City pursuant to Section 4.01 in the form attached as *Exhibit D* attached to and incorporated in this Lease by this reference.

“Charter” means the Charter of the City as the same may be amended from time to time.

“City” means the City and County of San Francisco, a charter city and county and municipal corporation, duly organized and existing under and by virtue of its Charter and the Constitution of the State.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued under such Code, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code, when appropriate.

“Continuing Disclosure Certificate” means the certificate by that name defined in Section 9.08.

“Corporation” means the City and County of San Francisco Finance Corporation, a nonprofit public benefit corporation established pursuant to the Law.

“Facilities” means the Facilities described in *Exhibit A*, and, if applicable, the Site and the Facilities the City will lease from the Corporation in connection with the issuance of Parity Bonds, as such Facilities may be revised pursuant to the terms of Article XII.

“Facilities Lease” means that certain Facilities Lease, dated as of _____, 2010, between the City, as lessor, and the Corporation, as lessee, as the same may be amended or supplemented from time to time.

“Fiscal Year” means the period beginning July 1 of each year and ending on the next succeeding June 30, or such other 12-month period selected by the City and the Corporation and indicated to the Trustee in writing.

“Fitch” means Fitch Ratings and its successors and assigns, except that if such corporation is dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Government Obligations” means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury), or evidence of ownership in a portion of such obligations (which may consist of specified portions of interest on such obligations and obligations of the Resolution Trust Corporation that constitute interest strips) if held by a custodian on behalf of the Trustee, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or “pre-refunded” municipal obligations rated in the highest rating category by Moody’s and S&P.

“Interest Payment Date” means April 1 and October 1 of each year, commencing on _____ 1, 201____, or, with respect to Parity Bonds, commencing on such date as is provided in a Parity Bond Instrument.

“Law” means the California Nonprofit Public Benefit Corporation Law, being Part 2 of Title 1 (commencing with Section 5110) of the California Corporations Code.

“Lease” means this Master Lease, as amended and supplemented from time to time in accordance with its terms.

“Moody’s” means Moody’s Investors Service and its successors and assigns, except that if such corporation is dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Opinion of Bond Counsel” means a written opinion of an attorney-at-law, or a firm of such attorneys, in each case designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest

on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the City or the Corporation) retained by the City or the Corporation. Any opinion of counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Corporation, as applicable, upon a certificate or opinion of, or representation by, an officer or officers of the City or the Corporation, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based, is erroneous.

“Outstanding,” when used as of any particular time with reference to the Bonds, means as provided in the Trust Agreement.

“Parity Bond Instrument” means any trust agreement, indenture, resolution, or other instrument, including an agreement supplemental to this Lease or an agreement supplemental to the Trust Agreement, pursuant to which Parity Bonds are issued.

“Parity Bonds” means Parity Bonds issued in accordance with Section 13.01.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Assignment Agreement; (iii) the Facilities Lease and this Lease; (iv) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law; (v) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions that exist of record as of the date of initial execution of this Lease or a related supplement to this Lease; and (vi) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established following the date of recordation of this Lease and to which the Corporation, the City, and the Trustee consent in writing. In giving such consent, the Trustee may conclusively rely on a Certificate of the City to the effect that such encumbrance will not materially impair the beneficial use of the Facilities by the City.

“Pre-Parity Bonds” means bonds issued in accordance with Section 2.15 of the Trust Agreement prior to the completion of the Bond Financed Facilities Component to which they relate. Upon delivery of a Certificate of Substantial Completion relating to such Bond Financed Facilities Component and the revisions to this Lease required under Section 13.01(b)(i), Pre-Parity Bonds will cease to be Pre-Parity Bonds and will become Parity Bonds.

“Principal Payment Date” means April 1, 201_, and each April 1 thereafter on which the principal of the Bonds is scheduled to be paid, whether at maturity or by mandatory sinking fund redemption.

“Project” means the projects financed or refinanced with the proceeds of the Bonds, including the Refunded Bonds Project and any project financed or refinanced with the proceeds of Parity Bonds.

“Refunded Bonds Project” means as provided in the Recitals to this Lease.

“Reserve Fund” means the fund by that name established under the Trust Agreement.

“Risk Manager” means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of this Lease.

“S&P” means Standard & Poor's Ratings Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation is dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Series 2010 Bonds” means the \$[Principal Amount] aggregate principal amount of the Corporation's City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communications System Refinancing).

“Site” means the real property described in *Exhibit B* and, as appropriate, any site on which Substitute Facilities are located, and such real property identified by the Corporation and the City in any revision to *Exhibit B* made in connection with the issuance of Parity Bonds.

“State” means the State of California.

“Substitute Facilities” means any and all real property and the improvements on such real property, and all additions and extensions or improvements to such real property and improvements, whether or not related to the Facilities, that are described as Substitute Facilities by an amendment to this Lease as provided in Section 12.01.

“Substitution” means the release of the Facilities or any portion of the Facilities from the leasehold of this Lease and the lease of Substitute Facilities under this Lease as provided in Section 12.01.

“Substantial Completion” means, with respect to the components of the Project relating to a series of Parity Bonds, the substantial completion of the acquisition, construction, reconstruction, rehabilitation, or improvement of such components of the Project and substantial readiness of such components of the Project for use and occupancy by the City (subject to completion of minor architectural finishes (“punch list” items) as evidenced by the delivery of the related Certificate of Substantial Completion.

“Tax Certificate” means the Tax Exemption Certificate executed and delivered by the City and the Corporation in connection with the issuance of the Series 2010 Bonds setting forth certain conditions, covenants, expectations, and elections with respect to the Series 2010 Bonds in accordance with the Code, as it may from time to time be amended or supplemented pursuant to the provisions of the Trust Agreement.

“Trust Agreement” means that certain Master Trust Agreement, dated as of _____, 2010, between the Corporation and the Trustee, providing for the issuance of the Series 2010 Bonds and any Parity Bonds, as it may from time to time be amended or supplemented pursuant to the provisions of the Trust Agreement.

“Trustee” means [Trustee], as trustee under the Trust Agreement, or, as applicable, the trustee under any Parity Bond Instrument.

Section 1.02 Interpretation.

(a) The words “hereof,” “herein,” “hereunder” and other words of similar import refer to this Lease as a whole.

(b) The Article and Section headings of this Lease are for convenience of reference only and shall not define or limit the scope of any provisions of this Lease.

(c) Unless otherwise specified, references to Articles, Sections and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease as amended from time to time.

(d) References in this Lease to the masculine gender include the feminine and neuter genders and vice versa and references to the singular include the plural and vice versa, unless the context or use indicates otherwise.

ARTICLE II LEASE OF FACILITIES; TERM

Section 2.01 Lease of Facilities. The Corporation leases to the City, and the City leases from the Corporation, the Facilities on the terms and conditions set forth in this Lease. The City covenants and agrees that during the term of this Lease, except as provided in this Lease, it will use the Facilities for public purposes, and the City further agrees and covenants that, during the term of this Lease, it will not abandon or vacate the Facilities or any portion of the Facilities (unless such Facilities are condemned as provided for in Section 8.01).

Section 2.02 Term; Occupancy. The term of this Lease shall commence on the date of issuance and delivery of the Series 2010 Bonds and shall end on April 1, 20___, or, if later, the final maturity date of any of the Parity Bonds.

If on the final maturity date of the Series 2010 Bonds or, if later, of any of the Parity Bonds, the Bonds shall not have been fully paid, or provision therefor made, then the term of this Lease shall be extended until ten (10) days after all Bonds shall have been fully paid, or provision therefor made, or otherwise discharged, *provided* that in no event shall the term of this Lease extend beyond April 1, 20___.

This Lease shall not be void or voidable due to any delay in the anticipated date of Substantial Completion of any Bond Financed Facilities Component being financed with the proceeds of Parity Bonds, but in no event may the Corporation compel payment of Base Rental or Additional Rental with respect to a Bond Financed Facilities Component until such date as

Substantial Completion has occurred and, to the extent of any such delay of Substantial Completion, the term of this Lease shall be extended as set forth above.

ARTICLE III RENTAL PAYMENTS

Section 3.01 Base Rental. The City shall pay to the Corporation, from legally available funds, as Base Rental for the use and occupancy of the Facilities (subject to the provisions of Sections 2.02, 3.01, and 7.01), the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in *Exhibit C*. Base Rental shall be payable commencing on _____ 15, 201__, and on each March 15 and September 15 thereafter during the term of this Lease. Base Rental shall be for the use and occupancy of the Facilities for the Fiscal Year in which such March 15 and September 15 occurs. If the term of this Lease is extended pursuant to Section 2.02, the payments of Base Rental shall continue to and including such time this Lease terminates in accordance with Section 2.02.

Each installment of Base Rental and each installment of Additional Rental (as set forth below in Section 3.02) shall be paid in lawful money of the United States of America. Any delinquent installment of Base Rental shall, on a pro rata basis, be deposited in the Reserve Fund created under the Trust Agreement or any reserve fund established under any Parity Bond Instrument with respect to Parity Bonds if needed to reimburse such fund(s) for a draw on such fund(s) due to a delinquent payment of Base Rental, and, except as otherwise provided in this Lease, any such installment of Base Rental or Additional Rental accruing under this Lease that is not paid when due shall bear interest at the actual rate or rates of interest on the Bonds coming due with respect to such payment. Notwithstanding any dispute between the Corporation and the City, the City shall make all rental payments when due under this Lease without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

The City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Revenue Fund held under the Trust Agreement or held under any Parity Bond Instrument and are available for the payment of debt service on the Bonds that is to be made from such Base Rental payment, or (ii) investments earnings on Permitted Investments (as defined in the Trust Agreement) or permitted investments under any Parity Bond Instrument will be deposited or credited in the Revenue Fund or a similar fund or account held under any Parity Bond Instrument on or after a Base Rental Payment Date but on or prior to the applicable Interest Payment Date, or (iii) a credit is due to the City pursuant to the last sentence of Section 3.04.

Section 3.02 Additional Rental. The City shall also pay to the Corporation (but only after payment of Base Rental) as Additional Rental such amounts as shall be required by the Corporation for the payment of the following:

(a) All taxes, assessments, or governmental charges of any type or nature charged to the Corporation or affecting the Facilities or the respective interests or estates of the Corporation or the City in the Facilities, or affecting the amount available to the Corporation from rentals received under this Lease for the payment of debt service on the Bonds (including

taxes, assessments, or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments, or governmental charges).

(b) All reasonable administrative costs of the Corporation relating to the Facilities including, but without limiting the generality of the foregoing, all expenses and compensation of the Trustee or any trustee, fiscal agent, or paying agent under any Parity Bond Instrument payable by the Corporation under the Trust Agreement, the Assignment Agreement, or any Parity Bond Instrument, fees of auditors, rebate analysts, accountants, attorneys, or engineers, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Series 2010 Bonds, any Parity Bonds, the Trust Agreement, or any Parity Bond Instrument, or to protect or defend the Corporation and its members, officers, agents, and employees.

(c) Any amounts required to be deposited by the Corporation under Section 6.16 of the Trust Agreement or under any similar provision contained in any Parity Bond Instrument that are not otherwise available to the Corporation under the Trust Agreement.

(d) Insurance premiums for all insurance required pursuant to Article VI and not obtained by the City, but only to the extent such City obligation is not otherwise satisfied pursuant to Section 6.01(c).

(e) All fees, costs, expenses, and other amounts due to any municipal bond insurance company or other credit enhancement provider that has provided an insurance policy or other credit enhancement instrument guaranteeing the payment of the principal of and interest on any series of Bonds.

Such Additional Rental shall be billed to the City by the Corporation or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Corporation or by the Trustee on behalf of the Corporation, for one or more of the items above described, or that such amount is then payable by the Corporation or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City. At the Request of the City, the Trustee shall provide bills that include estimated future Additional Rental for such period as requested by the City.

Section 3.03 Fair Rental Value. The payments of the Base Rental and Additional Rental during the term of this Lease shall constitute the total rental for the City's use and occupancy of the Facilities for the Fiscal Year in which such payments are scheduled to be made, and the parties to this Lease have agreed and determined that such total rental represents the fair rental value of the Facilities. In making such determination, consideration has been given to the uses and purposes that may be served by the Facilities, and the benefits that will accrue to the Corporation, the City, and the general public from the Facilities.

Section 3.04 Payment Provisions. Each installment of rental payments payable under this Lease shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the Principal Corporate Trust Office (as defined in the Trust Agreement) or such other place as the Corporation shall designate. In the event of a determination that the City was not liable for said rental payments or any portion of said rental

payments, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due under this Lease or, at the City's option, refunded to the City at the time of such determination.

Section 3.05 Appropriations Covenant. The City covenants to take such action as may be necessary to include all Base Rental and Additional Rental due under this Lease as a separate line item in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to Section 3.06. The covenants on the part of the City contained in this Lease shall be deemed to be and shall be construed to be ministerial duties imposed by law and by the Charter and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

Section 3.06 Rental Abatement.

(a) Except to the extent of amounts available to the City for payments under this Lease, including, without limitation, amounts available pursuant to Section 5.02 (including all subsections of Section 5.02) of the Trust Agreement (or pursuant to any similar provision contained in a Parity Bond Instrument), from the Reserve Fund established under the Trust Agreement or any Parity Bond reserve fund, and except as otherwise specifically provided in this Section 3.06 and Section 7.01, during any period in which by reason of material non-completion of any Bond Financed Facilities Component, material damage to or destruction of the Facilities, or condemnation of or defects in the title of the Facilities, there is substantial interference with the use and occupancy by the City of any portion of the Facilities, rental payments due hereunder shall be abated proportionately, and the City waives the benefits of California Civil Code Sections 1932(1), 1932(2), and 1933(4) and any and all other rights to terminate this Lease by virtue of any such interference and this Lease shall continue in full force and effect. In the case of abatement relating to the Facilities, the amount of abatement shall be equal to that amount by which rental payments under this Lease exceed the fair rental value of the Facilities as provided in Section 3.03. The City shall calculate such abatement and shall provide the Corporation and the Trustee with a certificate setting forth such calculation and the basis for it. Such abatement shall continue for the period commencing with the date of material non-completion of a Bond Financed Facilities Component or the date of such damage or destruction of Facilities and ending with the substantial completion of the Bond Financed Facilities Component or of the work of repair or replacement of the Facilities so damaged or destroyed; and the term of this Lease shall be extended by the period during which the rental is abated under this Lease, except that such extension shall be limited by the provisions of Section 2.02.

(b) The City acknowledges and agrees that during any period of abatement with respect to all or any part of the Facilities, the Corporation shall use the proceeds of rental interruption insurance maintained pursuant to Section 6.01 and moneys on deposit in the Reserve Fund and any reserve funds established with respect to any Parity Bonds to make debt service payments on the Bonds.

(c) The City has the option, but not the obligation, to deliver Substitute Facilities for all or a portion of the Facilities pursuant to Section 12.01 during any period of abatement.

Section 3.07 Application of Rental Payments. All rental payments received shall be applied first to the Base Rental payments due under this Lease, and then to the Additional Rental payments due under this Lease, but no such application of any payments that are less than the total rental due and owing shall be deemed a waiver of any default under this Lease.

Section 3.08 Prepayment of Rental Payments.

(a) The City may prepay, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts that result in Bonds being redeemed in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amount of Bonds maturing in each year after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a Certificate of the City, *provided* that at the time of such apportionment, the City shall deliver to the Trustee a Certificate of the City to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining term of this Lease shall not exceed the fair rental value of the Facilities during each subsequent Fiscal Year and that the resulting Base Rental payments are sufficient to pay the scheduled debt service on the Bonds.

(b) In connection with each issue of Bonds, the City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental Payment Date immediately preceding the first date on which such issue of Bonds is subject to optional redemption. Such optional prepayment may be made (i) in whole in an amount not exceeding the principal amount of such issue of Bonds then Outstanding (including accrued and unpaid interest and any premium on such issue of Bonds) on any date on or after the Base Rental Payment Date immediately preceding the first date on which such issue of Bonds are subject to optional redemption, or (ii) in part in an amount not exceeding the principal amount of Bonds of such issue being redeemed in integral multiples of five thousand dollars (\$5,000) (including accrued and unpaid interest and any premium on the Bonds of such issue being redeemed) on any date after the Base Rental Payment Date immediately preceding the first date on which such issue of Bonds is subject to optional redemption, from such Base Rental payments as are selected by the City as set forth in a Request of the City, as set forth in Section 11.05 of the Trust Agreement or Parity Bond Instrument, as applicable. As a condition to prepaying Base Rental payments under this paragraph (b), the City shall first deliver to the Trustee a Certificate of the City to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled debt service on the Bonds.

(c) Before making any prepayment pursuant to this Section 3.08, the City shall give written notice to the Corporation and the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made, which date

shall be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given, unless such written notice is waived by the Corporation and the Trustee.

ARTICLE IV CONSTRUCTION OF PROJECT; TITLE TO THE FACILITIES

Section 4.01 Construction of the Project. If proceeds of Parity Bonds are used to finance a Bond Financed Facilities Component, the Corporation appoints the City as its agent for the construction of the Bond Financed Facilities Component, and the City accepts such appointment. The City shall cause the acquisition, construction, reconstruction, rehabilitation, or improvement of the Bond Financed Facilities Component to be performed diligently to the end that the components of the Bond Financed Facilities Component will be substantially completed on or prior to the date mutually agreed to by the City and the Corporation with respect to such components of the Bond Financed Facilities Component. The City shall cause the acquisition, construction, reconstruction, rehabilitation, or improvement to the Bond Financed Facilities Component to be completed in accordance with any applicable requirements of governmental authorities and law. Upon Substantial Completion of the components of the Bond Financed Facilities Component relating to a series of Parity Bonds, the Corporation or the City shall promptly deliver to the Trustee a Certificate of Substantial Completion.

Payment for the costs of acquiring, constructing, reconstructing, rehabilitating, or improving a Bond Financed Facilities Component to be financed through the issuance of Parity Bonds shall be made in accordance and upon compliance with the relevant provisions of the Parity Bond Instrument.

Section 4.02 Title to the Facilities. During the term of this Lease, the Corporation shall hold a leasehold interest in the Facilities. Title to all moveable property that is placed in or about the Facilities by the City during the term of this Lease shall remain in the City during the term of this Lease.

The Corporation's interest in and title to the Facilities shall be transferred, conveyed, and assigned to and become vested in the City (upon the City's taking appropriate action) and this Lease shall terminate with respect to the Facilities at the end of the term of this Lease, upon payment in full of all rental payments due under this Lease pertaining to the Facilities, and the Corporation will execute and deliver such conveyances, registration documents, releases, and other instruments as may be necessary to effect such vesting of record.

ARTICLE V MAINTENANCE OF THE FACILITIES; ALTERATIONS AND ADDITIONS

Section 5.01 Maintenance and Utilities. Throughout the term of this Lease, as part of the consideration for rental payments with respect to the Facilities, all improvements, repairs, landscaping, and maintenance of the Facilities shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Facilities, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, sewer, and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the

Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee of the City. In exchange for the rental payments provided in this Lease, the Corporation agrees to provide only the use, possession, and quiet enjoyment of the Facilities.

Section 5.02 Changes to the Facilities. The City shall have the right during the term of this Lease to make additions, alterations, or improvements or to attach fixtures, structures, or signs to the Facilities if said additions, alterations, improvements, fixtures, structures, and signs are necessary or beneficial for the use of the Facilities by the City. The City may remove any fixture, structure, or sign added by the City; *provided*, that such removal shall not materially impair the City's beneficial use of the Facilities or reduce the annual fair rental value of the Facilities below the maximum annual Base Rental and Additional Rental payable under this Lease.

ARTICLE VI INSURANCE

Section 6.01 Insurance.

(a) The City shall maintain throughout the term of this Lease:

(1) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Facilities. Said policy or policies shall provide coverage in the following minimum amount: \$5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained.

(2) With respect to any Bond Financed Facilities Component financed with the proceeds of Parity Bonds, builders risk insurance throughout the course of construction in an amount equal to the Outstanding principal amount of the Bonds (to the extent commercially available), but in no event less than the completed value of the applicable Bond Financed Facilities Component, which insurance shall be maintained until Substantial Completion of such Bond Financed Facilities Component.

(3) "All risk" property insurance on all structures constituting any part of the Facilities in an amount equal to the Outstanding aggregate principal amount of the Bonds. Said insurance shall, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke, and such other hazards as are normally covered by such insurance. Such insurance shall contain a replacement cost endorsement.

(4) Earthquake insurance in an amount equal to the Outstanding aggregate principal amount of the Bonds (to the extent commercially available) or the replacement cost of the Facilities; *provided*, that no such earthquake insurance shall be required if the Risk Manager of the City files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(5) Rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to this Lease for a period of twenty-four (24) months (such amount may be adjusted to reflect the actual scheduled Base Rental Payments due under this Lease for the next succeeding twenty-four (24) months) to insure against loss of rental income from the Facilities caused by perils covered by the insurance required by subsections (2) and (3) above, if applicable (with respect to a Bond Financed Facilities Component such insurance coverage shall commence upon Substantial Completion).

(6) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than \$5,000,000 per accident (with respect to a Bond Financed Facilities Component such insurance coverage shall commence upon Substantial Completion).

All policies of insurance required under clauses (2), (3), (4), (5), and (6) above shall name the City and the Corporation as the insured parties, name the Trustee as a loss payee, and provide that all proceeds under such policies shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager of the City and the California Bankers Association, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement and any Parity Bond Instrument. All policies of insurance required under clauses (1), (2), (3), (4), and (6) may provide for a deductible amount that is commercially reasonable as determined by the Risk Manager of the City.

(b) All policies of insurance required by this Lease shall be in a form or forms certified by the Risk Manager of the City to be in compliance with the requirements of this Lease. The City shall pay when due the premiums for all insurance policies required by this Lease. All insurance under this Lease shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given thirty (30) days' notice of cancellation (ten (10) days' notice if for nonpayment of premium) or unintended non-renewal. All insurance required to be maintained pursuant to this Lease may be maintained either separately or as a part of any insurance carried by the Corporation or the City or required by either to be carried, but if maintained as part of other insurance carried by the Corporation or the City, shall specifically identify the Facilities as being covered by such insurance, the amount of coverage applicable to the Facilities, and the amount of the deductible applicable to the Facilities. All insurance must be provided by a commercial insurer rated "A, VIII" or higher by A.M. Best Company. The City shall certify in writing to the Trustee by no later than March 1 of each year commencing _____ 1, 201__, that there is in effect the insurance or self-insurance required by this Section 6.01.

(c) Notwithstanding anything in this Lease to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under this Lease, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; *provided*, that (i) any such alternative risk management program has been approved as reasonable and appropriate risk

management by the Risk Manager of the City, and (ii) any reserves set aside for such program shall be certified at least annually on each March 1 as to their adequacy by the Risk Manager of the City in a certificate delivered to the Trustee. In addition, any Authorized Representative of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Lease, upon the recommendation of the Risk Manager of the City, or in connection with obtaining or maintaining any rating on the Bonds. The Trustee shall not be responsible for the adequacy, sufficiency, or coverage of the insurance or self-insurance required or allowed by this Section 6.01.

(d) The City shall deliver to the Trustee, on the date of issuance and delivery of each series of Bonds, evidence of the commitment of a title insurance company to issue a CLTA policy of title insurance, in an amount at least equal to the initial aggregate principal amount of the such Bonds, showing a leasehold interest in the name of the City and naming the insured parties as the Trustee, for the benefit of the Owners of the Bonds.

ARTICLE VII DEFAULTS AND REMEDIES

Section 7.01 Defaults and Remedies.

(a) The City shall be deemed to be in default under this Lease (i) if it shall (A) fail to pay any Base Rental payable under this Lease within five (5) calendar days after the same becomes due and payable, time being expressly agreed to be of the essence in this Lease, (B) fail to pay any Additional Rental payable under this Lease within thirty (30) calendar days after the same becomes due and payable, time being expressly agreed to be of the essence in this Lease, or (C) fail to keep, observe, or perform any other term, covenant, or condition contained in this Lease to be kept or performed by the City; or (ii) upon the happening of any of the events specified in subsection (b) of this Section 7.01. The Corporation may exercise any and all remedies available pursuant to law (other than those specifically waived in this Lease) or granted pursuant to this Lease upon the occurrence of any default. The City shall not be in default in the observance or performance of any covenant, condition, or agreement in this Lease on its part to be observed or performed under clause (i)(C) of the preceding sentence unless the City shall have failed, for a period of thirty (30) days or such additional time as is reasonably required, to correct any such default after notice by the Corporation to the City properly specifying wherein the City has failed to perform any such covenant, condition, or agreement.

Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) Without terminating this Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of this Lease to be kept or performed by the City, or (ii) to exercise a right of entry or re-entry, and to re-let the Facilities (any such re-let of the Facilities shall be for public purposes in accordance with the Charter). If the Corporation does not elect to terminate this Lease in the manner provided for in subparagraph (2) below, the City shall remain liable under this Lease and agrees to keep or perform all covenants and conditions contained in this Lease to be kept or performed by the City; *provided*, that for so long as the Facilities are not re-let, the

Corporation shall not prevent the City from using, occupying, and enjoying the Facilities, subject only to entry or re-entry by the Corporation to perform maintenance, make repairs or alterations, or engage in such other activities as may be desirable in furtherance of an attempt to preserve or re-let the Facilities. If the Facilities are not re-let, the City shall pay the full amount of the rent to the end of the term of this Lease as it becomes due, or, if the Facilities are re-let, the City shall pay any resulting deficiency in rent as such rent becomes due; and the City further agrees to pay said rent or rent deficiency punctually at the same time and in the same manner as provided in this Lease for the payment of rent under this Lease, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in this Lease, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Facilities. Should the Corporation elect to re-enter as provided in this Lease, the City irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to re-let the Facilities, or any part of the Facilities, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period (not to exceed one year, unless approved in writing by the City) as the Corporation may deem advisable and to remove all persons in possession of the Facilities and all personal property whatsoever situated upon the Facilities and to place such personal property in storage in any warehouse or other suitable place in the City, for the account of and at the expense of the City, and the City exempts and agrees to hold harmless the Corporation from any costs, loss, or damage arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facilities and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in this Lease. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-let the Facilities in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of this Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City, the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (2) below. The City further agrees to pay the Corporation the cost of any alterations or additions to the Facilities necessary to place the Facilities in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations, to the extent such liability does not constitute a debt or an indebtedness within the meaning of Section 18 of Article XVI of the California Constitution.

(2) To terminate this Lease in the manner provided in this Lease on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities or any component of the Facilities as provided for in subparagraph (1) above, and to re-enter the Facilities and remove all persons in possession of the Facilities and all personal property situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place in the City; *provided*, that before exercising such remedy, the Corporation shall have received an Opinion of Bond Counsel to the effect

that the exercise of such remedy shall not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. In the event of such termination, the City agrees to immediately surrender possession of the Facilities, without let or hindrance, and to pay the Corporation all damages recoverable at law (other than as specifically waived in this Lease) that the Corporation may incur by reason of default by the City, including, without limitation, any costs, loss, or damage arising out of, in connection with, or incident to any such re-entry upon the Facilities and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions of this Lease. Neither notice to pay rent or to deliver up possession of the Facilities given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Facilities nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under this Lease shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law or acts of the parties to this Lease, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease. The City covenants and agrees that no surrender of the Facilities or of the remainder of the term of this Lease or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

The City waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Facilities as provided in this Lease and all claims for damages that may result from the destruction of or injury to the Facilities and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Facilities. Notwithstanding anything to the contrary contained in this Lease, the Corporation shall not re-enter or re-let the Facilities upon an event of default unless the Corporation or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Facilities, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder. Further, any re-letting of the Facilities shall be for public purposes as provided in the Charter.

(b) The City shall be deemed to be in default under this Lease with respect to that portion or portions of the Facilities to which the default relates if (1) the City's interest in this Lease or any part of this Lease is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation as provided for in this Lease; or (2) the City or any assignee files any petition or institutes any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, in which the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken

against the City, or if a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or Request of the Corporation, or if the City makes a general or any assignment for the benefit of the City's creditors; or (3) the City abandons or vacates any portion or portions of the Facilities.

(c) Except as provided in Section (a)(i)(A) of this Section 7.01, the City shall in no event be in default in the performance of any of its obligations under this Lease or imposed by any statute or rule of law unless and until the City shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Corporation to the City properly specifying wherein the City has failed to perform any such obligation.

(d) In addition to the other remedies set forth in this Section 7.01, upon the occurrence of an event of default as described in this Section 7.01, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee by this Lease or by law except as specifically waived in this Lease. The provisions of this Lease and the duties of the City and of elected officials, officers, or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its Board of Supervisors, officers, and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the Corporation or its assignee.

(3) Mandamus. By mandamus or other suit, action, or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the City (and its Board of Supervisors, officers, and employees) and to compel the City to perform and carry out its duties and obligations under the law and the Charter and its covenants and agreements with the City as provided in this Lease.

Each and all of the remedies given to the Corporation under this Lease or by any law now or hereafter enacted or the Charter are cumulative, and the single or partial exercise of any right, power, or privilege under this Lease shall not impair the right of the Corporation to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. The term "re-let" or "re-letting" as used in this Section 7.01 shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Facilities. If any statute or rule of law validly shall limit the remedies given to the Corporation under this Lease, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived in this Lease. Under no circumstances, shall the Corporation or the Trustee have the remedy of acceleration.

If the Corporation prevails in any action brought to enforce any of the terms and provisions of this Lease, the City agrees to pay a reasonable amount as and for attorney's fees

incurred by the Corporation or its assignees in attempting to enforce any of the remedies available to the Corporation under this Lease.

Notwithstanding anything to the contrary contained in this Lease, in no event shall the Corporation re-let the Facilities or any component of the Facilities to any lessee that is not itself a State or local governmental entity without first obtaining an Opinion of Bond Counsel that such re-letting shall not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Section 7.02 Waiver.

(a) Failure of the Corporation to take advantage of any default on the part of the City shall not be, or be construed as, a waiver of such default, nor shall any custom or practice that may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Corporation to insist upon performance by the City of any term, covenant, or condition of this Lease, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rental payments under this Lease shall not be, or be construed to be, a waiver of any term, covenant, or condition of this Lease.

(b) The Corporation specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of rent in the event of default by the City.

**ARTICLE VIII
EMINENT DOMAIN**

Section 8.01 Eminent Domain. If the entire Facilities (or portions of the Facilities such that the remainder is not usable for public purposes by the City) are taken under the power of eminent domain, the term of this Lease shall cease as of the day that possession is so taken. If less than the entire Facilities shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then this Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under this Lease in an amount to be agreed upon by the City and the Corporation, but, subject to Section 3.03, in no event shall the rental be less than the amount required for scheduled payment of the principal and interest with respect to the remaining Bonds. So long as any of the Bonds are Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion of the Facilities shall be paid to the Trustee and applied as provided in the Trust Agreement and any Parity Bond Instrument. Any such award made after all of the rentals have been fully paid, or provision therefor made, shall be paid to the Corporation and to the City as their respective interests may appear.

**ARTICLE IX
COVENANTS**

Section 9.01 Right of Entry. The Corporation and its assignees shall have the right to enter the Facilities during reasonable business hours (and in emergencies at all times)

(a) to inspect the same, (b) for any purpose connected with the Corporation's rights or obligations under this Lease, and (c) for all other lawful purposes.

Section 9.02 Liens. If the City shall at any time during the term of this Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Facilities and which may be secured by a mechanics', materialmen's, or other lien against the Facilities or the Corporation's interest in the Facilities, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement of such judgment is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Section 9.03 Quiet Enjoyment. The parties mutually covenant that the City, by keeping and performing the covenants and agreements contained in this Lease, shall at all times during the term of this Lease peaceably and quietly have, hold, and enjoy the Facilities without suit, trouble, or hindrance from the Corporation.

Section 9.04 Corporation Not Liable. The Corporation and its members, officers, agents, and employees shall not be liable to the City or to any other party for any death, injury, or damage that may result to any person or property by or from any cause in, on or about the Facilities or the Project. The City shall indemnify and hold the Corporation and its members, officers, agents, and employees and the Trustee and its officers, agents, and employees harmless from, and defend each of them against, any and all claims, liens, and judgments arising from the construction or operation of the Facilities or the Project, including, without limitation, death of or injury to any person or damage to property occurring in, on, or about the Facilities or the Project, but excepting claims, liens, and judgments arising from the negligence or willful misconduct of the person or entity seeking indemnity. The provisions of this Section 9.04 shall survive the termination of this Lease and the resignation or removal of the Trustee.

Section 9.05 Prohibition Against Encumbrance or Sale. The Corporation and the City will not create or suffer to be created any mortgage, pledge, lien, charge, or encumbrance upon the Facilities, or upon any real or personal property essential to the operation of the Facilities, except Permitted Encumbrances. The Corporation and the City will not sell or otherwise dispose of the Facilities or any property essential to the proper operation of the Facilities.

Section 9.06 Assignment. Neither this Lease nor any interest of the City under this Lease shall be mortgaged, pledged, assigned, sublet, or transferred by the City, by voluntary act or by operation by law or otherwise, except with the prior written consent of the Corporation, which shall not be unreasonably withheld.

Section 9.07 Tax Covenants. The City covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would result in the

interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the City covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in this Lease by this reference as if fully set forth in this Lease. This covenant shall survive the payment in full or the defeasance of the Bonds.

(a) If at any time the City is of the opinion that for purposes of this Section 9.07 it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the City shall so instruct the Corporation and the Trustee in a Request of the City accompanied by an Opinion of Bond Counsel.

(b) Notwithstanding any provisions of this Section 9.07, if the City provides an Opinion of Bond Counsel to the effect that any specified action required under this Section 9.07 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section 9.07 and the Tax Certificate, and the covenants under this Lease shall be deemed to be modified to that extent.

Section 9.08 Continuing Disclosure. The City, on behalf of the Corporation, covenants and agrees to comply with and carry out all of the provisions of each continuing disclosure certificate or agreement (each, a "Continuing Disclosure Certificate") as originally executed as of the date of issuance and delivery of each series of Bonds, and as the same may be amended from time to time in accordance with their terms. Notwithstanding any other provision of this Lease, failure by the City to comply with the Continuing Disclosure Certificate shall not constitute a default under this Lease or under the Trust Agreement or any Parity Bond Instrument; *provided*, that any Participating Underwriter (as defined in each Continuing Disclosure Certificate) or any Owner or beneficial owner of Bonds may take such action as may be necessary and appropriate to compel performance by the City of its obligations under this Section 9.08, including seeking mandamus or specific performance by court order.

Section 9.09 Trust Agreement Provisions. The execution of this Lease shall constitute conclusive evidence of approval of the Trust Agreement by the City. Whenever the Trust Agreement by its terms imposes a duty or obligation upon the City, such duty or obligation shall be binding upon the City to the same extent as if the City were an express party to the Trust Agreement, and the City shall carry out and perform all of its obligations under the Trust Agreement as fully as if the City were a party to the Trust Agreement.

ARTICLE X DISCLAIMER OF WARRANTIES; USE OF THE PROJECT

Section 10.01 Disclaimer of Warranties. THE CORPORATION MAKES NO AGREEMENT, WARRANTY, OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE IMPROVEMENTS OF THE FACILITIES OR THE PROJECT, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE CORPORATION IS NOT A MANUFACTURER OF ANY PORTION OF THE IMPROVEMENTS OF THE FACILITIES OR THE PROJECT OR A DEALER THEREIN AND THAT THE CITY LEASES THE FACILITIES AS-IS, IT BEING AGREED THAT ALL OF THE

AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Corporation be liable for any incidental, indirect, special, or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or the City's use of the Facilities or the Project as provided by this Lease.

Section 10.02 Use of the Facilities. The City will not use, operate, or maintain the Facilities improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease. The City shall obtain all permits and licenses, if any, necessary for the use of the Facilities. In addition, the City agrees to comply in all respects with all laws of the jurisdictions in which its operations involving any portion of the Facilities may extend and any legislative, executive, administrative, or judicial body exercising any power or jurisdiction over the Facilities; *provided*, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the opinion of the Trustee, adversely affect the estate of the Corporation in and to the Facilities or its interest or rights under this Lease.

ARTICLE XI ASSIGNMENT AND INDEMNIFICATION

Section 11.01 Assignment by Corporation. The parties understand that this Lease and the rights of the Corporation under this Lease will be assigned to the Trustee pursuant to the Assignment Agreement and, accordingly, the City agrees to make all rental payments due under this Lease directly to the Trustee, notwithstanding any claim, defense, setoff, or counterclaim (whether arising from a breach of this Lease or otherwise) that the City may from time to time have against the Corporation. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, that may be reasonably requested by the Corporation or the Trustee to protect their interests in the Facilities during the term of this Lease.

Section 11.02 Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save, and keep harmless the Corporation and its members, officers, and employees (other than the gross negligence or willful misconduct of the Corporation, or its members, officers, and employees), and reasonable expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Lease, the payment of the costs of the Project or any accident in connection with the operation, use, condition, or possession of the Facilities or the Project or any portion thereof resulting in damage to property or injury to or death to any person, including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Corporation or the City; any claim for patent, trademark, or copyright infringement; any claim arising out of strict liability in tort; the presence on, under, or about, or release from the Facilities or the Project, or any portion thereof, of any substance, material, or waste that is or becomes regulated or classified as hazardous or toxic under State, local, or federal law and the violation of, or non-compliance with, any such laws by the City. The indemnification arising under this Section 11.02 shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant to this Lease by reason of any defects, malfunctions, breakdowns, or

infirmities of the Facilities or the Project. The Corporation and the City mutually agree to promptly give notice to each other of any claim or liability indemnified against by this Section following either's learning of such claim or liability.

ARTICLE XII
SUBSTITUTION, RELEASE AND ADDITION OF LEASED PROPERTY

Section 12.01 Substitution, Release, and Addition of Leased Property.

(a) Whenever the City determines that the annual fair rental value of proposed Substitute Facilities is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid under this Lease and that the Substitute Facilities are complete and are available for beneficial use and occupancy by the City, the City may amend *Exhibit A* and *Exhibit B* and the definition of the terms "Facilities" and "Site", as applicable, to substitute such Substitute Facilities for all or a portion of the Facilities leased under this Lease upon compliance with all of the conditions set forth in subsection (b), and after a Substitution, all or a portion of the Facilities originally leased under this Lease shall be released from the leasehold under this Lease, as appropriate. The Corporation and the City shall also make any amendments needed to be made to this Lease, and shall enter into or amend or supplement any necessary site, ground or facilities leases, including, without limitation, the Facilities Lease, in connection with such Substitution. Such amendments may be made without the consent of the Trustee or Bondowners. The City shall cause this Lease, as so amended, to be recorded in the Official Records of the City.

(b) No Substitution shall take place under this Lease until the City delivers to the Corporation and the Trustee the following:

(1) A Certificate of the City stating that: (i) the annual fair rental value of the Substitute Facilities as of the date of Substitution is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under this Lease at the time of Substitution; (ii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Facilities, and (iii) the useful life of the Substitute Facilities is equal to or greater than that of the Facilities being replaced;

(2) An Opinion of Counsel to the effect that the amendment to this Lease has been duly authorized, executed, and delivered and this Lease as so amended represents a valid and binding obligation of the City and the Corporation and an Opinion of Bond Counsel to the effect that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State personal income tax; and

(3) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Series 2010 Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Facilities under this Lease, together with an endorsement making such policy payable to

the Trustee for the benefit of the Owners and to each trustee of Parity Bonds for the benefit of their Owners.

Section 12.02 Removal of Leased Property. The City shall have, and is granted, the option at any time and from time to time during the term of this Lease to remove from this Lease any portion of the Facilities or the Site, as applicable; *provided*, that the City shall satisfy all of the following requirements, which are declared to be conditions precedent to such removal:

(a) No event of default has occurred and is continuing under this Lease;

(b) The City shall file with the Corporation and the Trustee a Certificate of the City stating that (i) the annual fair rental value of the Facilities after such release is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under this Lease at the time of such release and (ii) the useful life of the Facilities after such release is equal to or greater than the Facilities before such release;

(c) The City shall file with the Corporation and the Trustee an amended *Exhibit A* or *Exhibit B* to this Lease that deletes the legal description of such Facilities or Site, as applicable, and shall also amend the definition of Facilities and Site, as applicable; and

(d) The City shall cause to be recorded in the Office of the Recorder of the City a copy of this Lease containing such amended *Exhibit B*, or a memorandum of this Lease reflecting such amendment to *Exhibit B*.

Section 12.03 Addition of Leased Property. In addition to the financing of additional Bond Financed Facilities Components, as contemplated by Section 13.01, the City may, without the issuance of Parity Bonds, at any time it deems it necessary or advisable, amend this Lease, and enter into or amend or supplement any necessary or advisable site or ground lease, to add additional property to the property originally leased under this Lease. No such addition shall take place until the following conditions have been satisfied:

(a) The City shall deliver to the Corporation and the Trustee the opinions required under Section 12.01(b)(2), *provided* that in such instance such opinions shall relate to the addition of leased property and not the substitution or removal of leased property;

(b) The City shall deliver to the Corporation and the Trustee the title insurance policy described in Section 12.01(b)(3), *provided* that in such instance such policy shall relate to the addition of leased property and not the substitution of leased property;

(c) The City shall file with the Corporation and the Trustee an amended *Exhibit A* or *Exhibit B* to this Lease that adds the legal description of such additional Facilities and Site, as applicable; and

(d) The City shall cause to be recorded in the Official Records of the City a copy of this Lease containing such amended *Exhibit B*, or a memorandum of this Lease reflecting such amendment to *Exhibit B*.

**ARTICLE XIII
PARITY BONDS AND PRE-PARITY BONDS**

Section 13.01 Parity Bonds and Pre-Parity Bonds.

(a) The Corporation shall be entitled to issue Bonds payable from Base Rental on a parity with the Series 2010 Bonds (the “**Parity Bonds**”), but only to provide funds (i) for the acquisition, construction, reconstruction, rehabilitation, or improvement of additional components of the Project, (ii) for the completion of any component of the Project being financed with the proceeds of Bonds, or (iii) to refund Bonds. If Parity Bonds are issued, they will be entitled, subject to the requirements set forth in subsection (b) below, to a pledge and assignment of, and security interest in, the Base Rental (including amounts received pursuant to and in accordance with Sections 6.01 and 8.01) on a parity with the pledge and assignment of, and security interest in, the Base Rental established under the Trust Agreement for the benefit of the Bondholders.

(b) In connection with the issuance of Parity Bonds or Pre-Parity Bonds to provide funds for the acquisition, construction, reconstruction, rehabilitation, or improvement or completion of additional components of the Project, the following conditions and requirements shall be met prior to such issuance:

(i) The Corporation and the City shall (a) amend as necessary the definition of “Facilities” and *Exhibit A* attached to this Lease to reflect the addition of facilities under this Lease, or, if applicable, to reflect the addition of improvements to be financed with the proceeds of Parity Bonds or which then exist on the real property to be added to the definition of “Site,” (b) amend as necessary the definition of “Site” and *Exhibit B* attached to this Lease to reflect the addition of real property to the Site under this Lease, (c) amend the Base Rental Payment Schedule attached to this Lease as *Exhibit C* such that the Base Rental scheduled to be paid under this Lease is sufficient to pay debt service when due on the Bonds Outstanding after the issuance of such Parity Bonds, and (d) make any other amendments necessary in connection with the issuance of the Parity Bonds, *provided*, that no such amendment shall cause the ratings on any Outstanding Bonds to be downgraded;

(ii) The City shall have delivered to the Trustee a Certificate of the City to the effect that the Base Rental scheduled to be paid under this Lease does not exceed the fair rental value of the Facilities as amended in connection with the issuance of such Parity Bonds;

(iii) The Parity Bond Instrument pursuant to which the Parity Bonds are being issued shall provide that the interest payment dates for such Parity Bonds shall be April 1 and October 1 and the principal payment date for such Parity Bonds shall be April 1;

(iv) The Corporation and the Trustee shall execute an assignment agreement reflecting the issuance of the Parity Bonds; and

Notwithstanding the foregoing, if Parity Bonds are issued prior to the completion of a Bond Financed Facilities Component (such bonds are referred to as “**Pre-Parity Bonds**”), the Corporation and the City may, rather than revising the Base Rental Payment Schedule as set

forth in subsection (b)(i)(c) above, provide a separate Base Rental Payment Schedule (the “**Pre-Parity Base Rental Payment Schedule**”) relating solely to the Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. The payments scheduled to be made under such Pre-Parity Base Rental Payment Schedule, together with any available funds set aside for capitalized interest, shall be sufficient to pay debt service on such Pre-Parity Bonds and shall not exceed the fair rental value of the Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. Upon the delivery of a Certificate of Substantial Completion with respect to the Bond Financed Facilities Component being financed with the proceeds of such Pre-Parity Bonds, the Base Rental Payment Schedule relating to the Series 2010 Bonds and any previously issued Parity Bonds shall then be revised as provided in subsection (b)(i)(c) above. Prior to the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as described above, the Pre-Parity Bonds shall only be secured by the payments to be made under the Pre-Parity Base Rental Payment Schedule. After the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as set forth above, such Pre-Parity Bonds shall become Parity Bonds and will be equally and ratably secured with all Outstanding Bonds by Base Rental to be paid pursuant to the Base Rental Payment Schedule.

ARTICLE XIV DISCHARGE OF OBLIGATIONS

Section 14.01 Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Base Rental payments and Additional Rental payments at the times and in the manner provided in this Lease, the right, title, and interest of the Corporation in this Lease and the obligations of the City under this Lease shall thereupon cease, terminate, become void and be completely discharged and satisfied, except only as provided in subsection (c) below.

(b) Any unpaid principal component of a Base Rental payment shall on its scheduled Base Rental Payment Date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section 14.01 if the City makes payment of such Base Rental payment in the manner provided in this Lease, and money for this purpose of such payment or prepayment is then held by the Trustee or an escrow agent.

(c) All or any portion of any unpaid principal component of a Base Rental payment shall, prior to its scheduled Base Rental Payment Date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section 14.01 (except that the City shall remain liable for such Base Rental payment, but only out of such money or securities deposited with the Trustee or an escrow agent as described in this Lease for such payment) if (i) notice is provided to the Trustee as required by the Trust Agreement or any Parity Bonds Instrument, (ii) there shall have been deposited with the Trustee or an escrow agent either money in an amount that shall be sufficient, or Government Obligations that are not subject to redemption prior to maturity except by the holder (including any such Government Obligations issued or held in book-entry form) the interest on and principal of which when paid will provide money that, together with money, if any, deposited with the Trustee or an escrow agent at the same time, shall be sufficient, as stated in a report of a

nationally recognized Independent Certified Public Accountant addressed to the City and the Trustee verifying such sufficiency in full, to pay when due such principal component and interest component of the Base Rental payment or such portion thereof on and prior to its payment date or its date of prepayment, as the case may be, and the prepayment premium, if any, thereon, and (iii) an Opinion of Bond Counsel addressed to the City and the Trustee is filed to the effect that the action taken pursuant to this subsection will not cause the interest on the Bonds to be includable in gross income under the Code for federal income tax purposes and that the Bonds are no longer Outstanding.

(d) After the payment of all Base Rental payments and any applicable prepayment premiums as provided in this Section 14.01, and payment of the reasonable fees and expenses of the Trustee, the Trustee, upon Request of the City, shall cause an accounting to be made in accordance with corporate trust industry standards and filed with the City and the Corporation and shall execute and deliver to the City and the Corporation all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over and deliver to the City, after payment of all reasonable fees, expenses, and other amounts owed to the Trustee, as an overpayment of Base Rental payments, all such moneys or investments held by it pursuant to the Trust Agreement and any Parity Bond Instrument other than such moneys and such Base Rental payments that are being held by the Trustee in trust for the payment of the Base Rental payments and which shall be applied by the Trustee pursuant to the Trust Agreement.

ARTICLE XV MISCELLANEOUS

Section 15.01 Law Governing. This Lease shall be governed exclusively by the laws of the State as the same from time to time exist.

Section 15.02 Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements, or promises or other communications under this Lease by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City or the Corporation, addressed to the respective party in care of the Office of Public Finance, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102, Attn.: Director of Public Finance, or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any such notice or other document hereinabove mentioned shall also be delivered to the Trustee at the addresses set forth in the Trust Agreement and any Parity Bond Instrument. The Corporation shall notify each Rating Agency then rating the Bonds of any substitution, release, removal, or addition of leased property pursuant to Sections 12.01, 12.02, and 12.03, and any issuance of Parity Bonds or Pre-Parity Bonds in accordance with Section 13.01.

Section 15.03 Validity and Severability. If for any reason this Lease is held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Corporation or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City under this Lease, including the covenant to pay rentals under this Lease, is unenforceable for the full term of this Lease, then and in such event this Lease is and shall be

deemed to be a Lease under which the rental payments due in any Fiscal Year of the City are subject to annual appropriation and are to be paid by the City annually in consideration of the right of the City to possess, occupy, and use the Facilities, and all of the rental and other terms, provisions, and conditions of this Lease, except to the extent that such terms, provisions, and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 15.04 Net Lease. This Lease shall be deemed and construed to be a “net lease” and the City agrees that the rentals provided for in this Lease shall be an absolute net return to the Corporation, free and clear of any expenses, charges, or set-offs.

Section 15.05 Taxes. The parties understand and agree that the Facilities constitute public property free and exempt from all taxation; however, the Corporation agrees to take whatever steps may be necessary, upon written request by the City, to contest any proposed valuation, the amount of any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. The City agrees to reimburse the Corporation for any and all costs and expenses thus incurred by the Corporation.

Section 15.06 Execution in Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same instrument. It is also agreed that separate counterparts of this Lease may separately be executed by the Corporation and the City, all with the same force and effect as though the same counterpart had been executed by both the Corporation and the City.

Section 15.07 Trustee a Third Party Beneficiary. The Trustee is designated as a third party beneficiary under this Lease for the purpose of enforcing any of the rights under this Lease assigned to the Trustee under the Assignment Agreement.

Section 15.08 Amendments.

(a) This Lease may be amended in the event of the issuance of Parity Bonds or Pre-Parity Bonds pursuant to and in accordance with the provisions of Section 13.01 and Section 2.15 of the Trust Agreement and in any other manner necessary in order to provide for the issuance of Parity Bonds or Pre-Parity Bonds.

(b) In addition to the amendments permitted pursuant to Section 15.08(a), this Lease and the rights and obligations of the Corporation and of the City may be modified or amended at any time by a supplement or amendment that shall become effective when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee (*provided* that for any series of Bonds insured by a policy of municipal bond insurance or otherwise guaranteed by a provider of credit enhancement such consent may be given by the municipal bond insurer or provider of credit enhancement, as applicable, and without the written consent of the Owners of the Bonds). Additionally, this Lease and the rights and obligations of the Corporation and of the City may also be modified or amended at any time, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation and the City in this Lease contained, other covenants and agreements thereafter to be observed, or to

surrender any right or power reserved to or conferred upon the Corporation in this Lease which in either case shall not adversely affect the interests of the Bondowners;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in this Lease or in regard to questions arising under this Lease, as the Corporation and the City may deem necessary or desirable and not inconsistent with this Lease, and which shall not adversely affect the interests of the Bondowners; or

(iii) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 15.09 Submitting False Claims; Monetary Penalties. Pursuant to Section 21.35 of the Administrative Code, any contractor, subcontractor, or consultant who submits a false claim shall be liable to the City for three times the amount of damages that the City sustains because of the false claim. A contractor, subcontractor, or consultant who submits a false claim shall also be liable to the City for the costs, including attorneys' fees, of a civil action brought to recover any of those penalties or damages, and may be liable to the City for a civil penalty of up to \$10,000 for each false claim. A contractor, subcontractor, or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor, or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 15.10 Conflict of Interest. Through its execution of this Lease, the Corporation acknowledges that it is familiar with the provision of Section 15.103 of the Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the California Government Code, and certifies that it does not know of any facts that constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Lease.

Section 15.11 Proprietary or Confidential Information of City. The Corporation understands and agrees that, in the performance of the work or services under this Lease or in contemplation of such performance, the Corporation may have access to private or confidential information that may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Corporation agrees that all information disclosed by the City to the Corporation shall be held in confidence and used only in performance of this Lease. The Corporation shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data. The Trustee shall be subject to the requirements of Section 12.15 of the Trust Agreement.

Section 15.12 Ownership of Results. Any interest of the Corporation in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files, and media or other documents prepared by the Corporation in connection with services to be performed under this Lease shall become the property of and will be transmitted to the City. However, the Corporation may retain and use copies for reference and as documentation of its experience and capabilities.

Section 15.13 Works for Hire. If, in connection with services performed under this Lease, the Corporation creates artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes, or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Corporation under this Lease are not works for hire under the laws of the United States, the Corporation assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Corporation may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 15.14 Audit and Inspection of Records. The Corporation agrees to maintain and make available to the City, during regular business hours and upon reasonable notice, accurate books and accounting records relating to its work under this Lease. The Corporation will permit the City to audit, examine, and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Lease, whether funded in whole or in part under this Lease. The Corporation shall maintain such data and records in an accessible location and condition for a period of not less than five (5) years after final payment under this Lease or until after final audit has been resolved, whichever is later. The State or any federal agency having an interest in the subject matter of this Lease shall have the same rights conferred upon the City by this Section 24.

Section 15.15 Subcontracting. The Corporation is prohibited from subcontracting this Lease or any part of it unless such subcontracting is first approved by the City in writing. Neither party shall, on the basis of this Lease, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any person and shall be null and void.

Section 15.16 Assignment. The services to be performed by the Corporation are personal in character and neither this Lease nor any duties or obligations under it may be assigned or delegated by the Corporation unless first approved by the City by written instrument executed and approved in the same manner as this Lease.

Section 15.17 Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions of this Lease by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

Section 15.18 Earned Income Credit (EIC) Forms. Section 120 of the Administrative Code requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Corporation shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty (30) days following the date on which this Lease becomes effective (unless the Corporation has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Corporation; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Lease.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section 15.18 shall constitute a material breach by the Corporation of the terms of this Lease. If, within thirty days after the Corporation receives written notice of such a breach, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, the Corporation fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Lease or under applicable law.

(c) Any Subcontract entered into by the Corporation shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section 15.18.

(d) Capitalized terms used in this Section 15.18 and not defined in this Lease shall have the meanings assigned to such terms in Section 120 of the Administrative Code.

Section 15.19 Local Business Enterprise Utilization; Liquidated Damages.

(a) The LBE Ordinance.

The Corporation shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the Administrative Code as it now exists or as it may be amended in the future (collectively, the "**LBE Ordinance**"), *provided* that such amendments do not materially increase the Corporation's obligations or liabilities, or materially diminish the Corporation's rights, under this Lease. Such provisions of the LBE Ordinance are incorporated in this Section 15.19 by this reference and made a part of this Lease as though fully set forth in this Section 15.19. The Corporation's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Corporation's obligations under this Lease and shall entitle the City, subject to any applicable notice and cure provisions set forth in this Lease, to exercise any of the remedies provided for under this Lease, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Lease expressly provides that any remedy is exclusive. In addition, the Corporation shall comply fully with all other applicable local, state, and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) Compliance and Enforcement.

If the Corporation willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Lease pertaining to LBE Ordinance participation, the Corporation shall be liable for liquidated damages in an amount equal to the Corporation's net profit on this Lease, or ten percent (10%) of the total amount of this Lease, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "**Director of HRC**") may also impose other sanctions against the Corporation authorized in the LBE Ordinance, including declaring the Corporation to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Corporation's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Section 14B.17 of the Administrative Code.

By entering into this Lease, the Corporation acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. The Corporation further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Corporation on any contract with City.

The Corporation agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Lease, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 15.20 Nondiscrimination; Penalties.

(a) Corporation Shall Not Discriminate.

In the performance of this Lease, the Corporation agrees not to discriminate against any employee, the City employee working with the Corporation, applicant for employment with such Corporation, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability, or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts.

The Corporation shall incorporate by reference in all subcontracts related to this Lease the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the Administrative Code and shall require all subcontractors to comply with such provisions. The Corporation's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Nondiscrimination in Benefits.

The Corporation does not as of the date of this Lease and will not during the term of this Lease, in any of its operations in the City, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the Administrative Code.

(d) Condition to Contract.

As a condition to this Lease, the Corporation shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) Incorporation of Administrative Code Provisions by Reference.

The provisions of Chapters 12B and 12C of the Administrative Code are incorporated in this Section by this reference and made a part of this Lease as though fully set forth in it. The Corporation shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Corporation understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against the Corporation and/or deducted from any payments due the Corporation.

Section 15.21 MacBride Principles-Northern Ireland. Pursuant to Administrative Code Section 12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges companies in the City to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Lease on behalf of the Corporation acknowledges and agrees that he or she has read and understood this Section 15.21.

Section 15.22 Tropical Hardwood and Virgin Redwood Ban. Pursuant to Section 804(b) of the City's Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood product.

Section 15.23 Drug-Free Workplace Policy. The Corporation acknowledges that, pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City

premises. The Corporation agrees that any violation of this prohibition by the Corporation, its employees, agents or assigns will be deemed a material breach of this Lease.

Section 15.24 Resource Conservation. Chapter 5 of the City's Environment Code ("**Resource Conservation**") is incorporated in this Lease by this reference. Failure by the Corporation to comply with any of the applicable requirements of the Resource Conservation will be deemed a material breach of this Lease.

Section 15.25 Compliance with Americans with Disabilities Act. The Corporation acknowledges that, pursuant to the Americans with Disabilities Act ("ADA"), programs, services, and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Corporation shall provide the services specified in this Lease in a manner that complies with the ADA and any and all other applicable federal, state, and local disability rights legislation. The Corporation agrees not to discriminate against disabled persons in the provision of services, benefits, or activities provided under this Lease and further agrees that any violation of this prohibition on the part of the Corporation, its employees, agents, or assigns will constitute a material breach of this Lease.

Section 15.26 Sunshine Ordinance. In accordance with Section 67.24(e) of the Administrative Code, contracts, contractors' bids, responses to solicitations, and all other records of communications between the City and persons or firms seeking contracts shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this Section will be made available to the public upon request.

Section 15.27 Public Access to Meetings and Records. If the Corporation receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the Administrative Code, the Corporation shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Lease, the Corporation agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. The Corporation further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Corporation acknowledges that its material failure to comply with any of the provisions of this Section shall constitute a material breach of this Lease. The Corporation further acknowledges that such material breach of this Lease shall be grounds for the City to terminate and/or not renew this Lease, partially or in its entirety.

Section 15.28 Limitations on Contributions. Through execution of this Lease, the Corporation acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies, or equipment, for the sale or lease of any land or building, or for a grant, loan, or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an

appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Corporation acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Corporation further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Corporation's Board of Directors; the Corporation's chairperson, chief executive officer, chief financial officer, and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in the Corporation; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Corporation. The Corporation agrees to provide to the City the names of each person, entity or committee described in the previous sentence. Additionally, the Corporation acknowledges that the Corporation must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 of the City's Campaign and Government Conduct Code.

Section 15.29 Requiring Minimum Compensation for Covered Employees.

The Corporation agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in Administrative Code Chapter 12P ("Chapter 12P"), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated in this Lease by this reference and made a part of this Lease as though fully set forth in it. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Corporation's obligations under the MCO is set forth in this Section. The Corporation is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Lease shall have the meanings ascribed to such terms in Chapter 12P.

(a) The MCO requires the Corporation to pay the Corporation's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Corporation is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Corporation shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Corporation's obligation to ensure that any subcontractors of any tier under this Lease comply with the requirements of the MCO. If any subcontractor under this Lease fails to comply, City may pursue any of the remedies set forth in this Section against the Corporation.

(b) The Corporation shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(c) The Corporation shall maintain employee and payroll records as required by the MCO. If the Corporation fails to do so, it shall be presumed that the Corporation paid no more than the minimum wage required under State law.

(d) The City is authorized to inspect the Corporation's job sites and conduct interviews with employees and conduct audits of the Corporation.

(e) The Corporation's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Lease. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Corporation fails to comply with these requirements. The Corporation agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Corporation's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(f) The Corporation understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of this Lease and under applicable law. If, within 30 days after receiving written notice of a breach of this Lease for violating the MCO, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(g) The Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(h) If the Corporation is exempt from the MCO when this Lease is executed because the cumulative amount of agreements with this City for the fiscal year is less than \$25,000, but the Corporation later enters into an agreement or agreements that cause the Corporation to exceed that amount in a fiscal year, the Corporation shall thereafter be required to comply with the MCO under this Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Corporation and this City to exceed \$25,000 in the fiscal year.

Section 15.30 Requiring Health Benefits for Covered Employees. The Corporation agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by this reference and made a part of this Lease as though fully set forth in it. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, the Corporation shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Corporation chooses to offer the

health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Corporation is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with subsection (a) above.

(c) The Corporation's failure to comply with the HCAO shall constitute a material breach of this Lease. City shall notify the Corporation if such a breach has occurred. If, within thirty (30) days after receiving the City's written notice of a breach of this Lease for violating the HCAO, the Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, the Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in Sections 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by the Corporation shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Corporation shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Corporation shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Corporation based on the Subcontractor's failure to comply, *provided* that City has first provided the Corporation with notice and an opportunity to obtain a cure of the violation.

(e) The Corporation shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Corporation's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) The Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) The Corporation shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) The Corporation shall keep itself informed of the current requirements of the HCAO.

(i) The Corporation shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) The Corporation shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(k) The Corporation shall allow the City to inspect the Corporation's job sites and have access to the Corporation's employees in order to monitor and determine compliance with HCAO.

(l) The City may conduct random audits of the Corporation to ascertain its compliance with HCAO. The Corporation agrees to cooperate with the City when it conducts such audits.

(m) If the Corporation is exempt from the HCAO when this Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Corporation later enters into an agreement or agreements that cause the Corporation's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Corporation and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 15.31 Prohibition on Political Activity with City Funds. In accordance with Administrative Code Chapter 12.G, the Corporation may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Lease. The Corporation agrees to comply with Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated in this Lease by this reference. If the Corporation violates the provisions of this Section, the City may, in addition to any other rights or remedies available under this Lease, (i) terminate this Lease, and (ii) prohibit the Corporation from bidding on or receiving any new City contract for a period of two (2) years. The City's Controller will not consider the Corporation's use of compensation or profit as a violation of this Section.

Section 15.32 Preservative-treated Wood Containing Arsenic. The Corporation may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Chapter 13 of the City's Environment Code is obtained from the Department of the Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Corporation may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude the Corporation from purchasing preservative treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 15.33 Agreement Made in California; Venue. The formation, interpretation, and performance of this Lease shall be governed by the laws of the State. Venue for all litigation relative to the formation, interpretation, and performance of this Lease shall be in the City.

Section 15.34 Compliance with Laws. The Corporation shall keep itself fully informed of the Charter, codes, ordinances, and regulations of the City and of all state and federal laws in any manner affecting the performance of this Lease, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

Section 15.35 Protection of Private Information. The Corporation has read and agrees to the terms set forth in Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated in this Lease as if fully set forth in it. The Corporation agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of the Administrative Code shall be a material breach of this Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the contract, bring a false claim action against the Corporation pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Corporation. The Trustee shall be subject to the requirements of Section 12.39 of the Trust Agreement.

Section 15.36 Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti. The Corporation shall remove all graffiti from any real property owned or leased by the Corporation in the City within forty eight (48) hours of the earlier of the Corporation's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Corporation to breach any lease or other agreement that it may have concerning its use of the affected real property. For purposes of this Section, the term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. The term "graffiti" does not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the City's Public Works Code, the City's Planning Code or the City's Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the

Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*). Any failure of the Trustee to comply with this section of this Indenture shall constitute a breach under this Lease.

Section 15.37 Food Service Waste Reduction Requirements. The Corporation agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in City's Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Lease by this reference and made a part of this Lease as though fully set forth in it. This provision is a material term of this Lease. By entering into this Lease, the Corporation agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Corporation agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Lease was entered into. Such amount shall not be considered a penalty, but rather shall be agreed monetary damages sustained by City because of the Corporation's failure to comply with this Section.

Section 15.38 Cooperative Drafting. This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Lease, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Lease.

Section 15.39 No Enforcement. Notwithstanding anything herein to the contrary, the City acknowledges that the Corporation has no employees and no business other than issuing bonds for the benefit of the City and therefore the City shall be wholly responsible for assuring compliance with the requirements of Sections 15.09 through 15.38.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Corporation and the City have caused this Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**

By: _____
President

[SEAL]

ATTEST:

By: _____
Secretary

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By: _____
Deputy City Attorney

ACKNOWLEDGMENTS

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

DESCRIPTION OF THE FACILITIES

The Facilities consist of [Description of Facilities] located at _____, City and County of San Francisco, California.

EXHIBIT B

DESCRIPTION OF THE SITE

The site referred to in this Lease is situated in the City of San Francisco, County of San Francisco, State of California, and is described as follows:

Approved by: _____

EXHIBIT C

BASE RENTAL PAYMENT SCHEDULE

<u>Base Rental Payment Date Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Base Rental</u>
---	---------------------------------------	--------------------------------------	---------------------------

Base Rental
Payment Date Date

Principal
Component

Interest
Component

Base Rental

EXHIBIT D

FORM OF CERTIFICATE OF SUBSTANTIAL COMPLETION

[Letterhead of the City]

[Trustee]

San Francisco, California _____

Attn: _____

Re: \$ _____ City and County of San Francisco Finance Corporation Lease
Revenue Bonds, Series _____ ([Designation of Project])

Ladies and Gentlemen:

In accordance with the terms of that certain Master Lease dated as of _____, 2010 (the "Lease"), between the City and County of San Francisco Finance Corporation (the "Corporation") and the undersigned City and County of San Francisco (the "City"), the undersigned certifies that the construction, reconstruction, rehabilitation, or improvement of the Project and other improvements to the Project (as described in the Lease) in connection with the above-captioned Bonds are substantially complete and ready for use and occupancy by the City, notwithstanding that construction may be subject to completion of minor architectural finish ("punch list") items.

This Certificate shall not constitute a Notice of Completion pursuant to Section 3093 of the California Civil Code, and the delivery of this Certificate by the City shall not prejudice any rights that the City may have with respect to any amount due to any party in connection with the construction, reconstruction, rehabilitation, or improvement to, the Project, including, but not limited to, any right to withhold payment of amounts designated or treated as retainage under construction contracts.

Dated as of: _____, _____.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
[Name/Title]



MASTER TRUST AGREEMENT

between

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

and

[TRUSTEE],

as Trustee

Dated as of _____, 2010

Relating to
City and County of San Francisco Finance Corporation
Lease Revenue Bonds

RECORDING REQUESTED BY:
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

When Recorded Mail To:

Schiff Hardin LLP
One Market
Spear Street Tower, 32nd Floor
San Francisco, California 94105
Attention: Stephen M. Hankins

ASSIGNMENT AGREEMENT

between

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**

and

[TRUSTEE],

as Trustee

Dated as of _____, 2010

NO DOCUMENTARY TRANSFER TAX

This Assignment Agreement is exempt from filing fees
pursuant to Section 6103 of the California Government Code.

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ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, dated as of _____, 2010 (the “**Assignment Agreement**”), is entered into between the CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a nonprofit public benefit corporation, duly organized and existing under and by virtue of the laws of the State of California (the “**Corporation**”), and [Trustee], a _____ duly organized and existing under and by virtue of the laws of _____, as trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Corporation will issue \$[Principal Amount] of its Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communication System Refinancing) (the “**Series 2010 Bonds**”), pursuant to that certain Master Trust Agreement, dated as of _____, 2010 (the “**Trust Agreement**”), between the Corporation and the Trustee; and

WHEREAS, the City and County of San Francisco, a charter city and county and municipal corporation, duly organized and existing under and by virtue of its Charter and the Constitution of the State of California (the “**City**”), and the Corporation have entered into that certain Facilities Lease, dated as of _____, 2010 (the “**Facilities Lease**”), between the City, as lessor, and the Corporation, as lessee, recorded concurrently with this Assignment Agreement; and

WHEREAS, the Corporation and the City have entered into that certain Master Lease, dated as of _____, 2010 (the “**Lease**”), between the Corporation, as lessor, and the City, as lessee, recorded concurrently with this Assignment Agreement; and

WHEREAS, the Corporation desires to assign to the Trustee without recourse all of its rights, title, and interest as lessor under the Lease and as lessee under the Facilities Lease, respectively; and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Assignment Agreement do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties to this Assignment Agreement are duly authorized to execute and enter into this Assignment Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained in this Assignment Agreement and for other valuable consideration, the parties agree as follows:

Section 1. Definitions.

Capitalized terms used and not otherwise defined in this Assignment Agreement shall have the meanings ascribed to them in the Lease or the Trust Agreement, as appropriate. The rules of interpretation in Section 1.02 of the Lease shall apply to this Assignment Agreement.

Section 2. Assignment.

The Corporation, for the sum of one dollar and other good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, transfers, and assigns to the Trustee, without recourse, all of its rights, title, and interest under the Lease and the Facilities Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Lease, (ii) all rents, profits, products, and proceeds from the Facilities to which the Corporation has any right or claim under the Lease or the Facilities Lease, other than Additional Rental not payable to the Trustee, (iii) the right to take all actions and give all consents under the Lease and the Facilities Lease, (iv) any rights of access provided in the Lease and the Facilities Lease, and (v) any and all other rights and remedies of the Corporation in the Facilities Lease as lessee and the Lease as lessor (other than the rights to indemnification under Section 11.02 of the Lease).

Section 3. Acceptance.

The Trustee accepts the foregoing assignment for the benefit of the owners of the Series 2010 Bonds and any Parity Bonds, solely in its capacity as Trustee, subject to the conditions and terms of the Trust Agreement, and all such rights and obligations so assigned shall be exercised by the Trustee as provided in the Trust Agreement. The recitals in this Assignment Agreement are those of the Corporation and not of the Trustee, and the Trustee assumes no responsibility for their correctness.

This Assignment Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in this Assignment Agreement or in the Trust Agreement.

Section 4. Termination of Assignment.

When the Facilities Lease and the Lease shall have been terminated, and all amounts shall have been paid by or on behalf of the City under the Lease, this Assignment Agreement shall become and be void and of no further force and effect and the Trustee shall execute any and all certificates or documents reasonably requested by the Corporation to evidence the termination of this Assignment Agreement.

Section 5. Protections of the Trustee.

The Trustee may rely on and shall be protected in acting or refraining from acting upon the basis of any bond, certificate, consent, notice, opinion, order, request, report, resolution, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Trustee, the City or the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it under this Assignment Agreement in good faith and in accordance therewith.

Whenever in the administration of the rights, title, and interest assigned by this Assignment Agreement the Trustee shall deem it necessary or desirable that a matter be proved

or established prior to taking or suffering or omitting any action under this Assignment Agreement, such matter may be deemed to be conclusively proved and established by a written certificate of the City or the Corporation, and such certificate shall be full warrant to the Trustee for any action taken or suffered or omitted in good faith under the provisions of the Facilities Lease or the Lease in reliance upon such certificate, but, in its discretion, the Trustee may, in lieu of such certificate, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee shall be entitled to the advice of counsel and other professionals concerning all matters of trust and its duty under this Assignment Agreement, but the Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his or her professional advice if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

The Corporation agrees to indemnify and hold harmless the Trustee from all liabilities, including reasonable attorney's fees and legal costs, arising from hazardous waste in connection with the real property leased under the Facilities Lease or the Lease.

Before taking any action or exercising any rights or powers assigned by this Assignment Agreement, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable costs and expenses that it may incur, and to indemnify it against all liability, except liability that may result from its negligence or willful misconduct, by reason of any action so taken.

Section 6. Amendment.

This Assignment Agreement may be amended in writing signed by the parties to it, but only if such amendment does not materially adversely affect the owners of the Outstanding Series 2010 Bonds or any Outstanding Parity Bonds.

Section 7. California Law.

This Assignment Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 8. Severability.

If any agreement, condition, covenant, or term of this Assignment Agreement or any application of it is held by a court of competent jurisdiction to be invalid, void, or unenforceable, in whole or in part, all agreements, conditions, covenants, and terms of this Assignment Agreement and all applications of this Assignment Agreement not held invalid, void, or unenforceable shall continue in full force and effect and shall in no way be affected, impaired, or invalidated by such holding.

Section 9. Execution in Counterparts.

This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Assignment Agreement.

IN WITNESS WHEREOF, the parties have executed and entered into this Assignment Agreement by their officers thereunto duly authorized as of the day and year first above written.

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**

By: _____
President

[SEAL]

ATTEST:

Secretary

[TRUSTEE], as Trustee

By: _____
Authorized Officer

CONSENT BY CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco consents to the assignment of the Facilities Lease and the Lease as set forth in this Assignment Agreement and further agrees to accept the Trustee as assignee of the lessee under the Facilities Lease and as assignee of the lessor under the Lease.

Dated: As of _____, 2010

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By: _____
Deputy City Attorney

ACKNOWLEDGMENT

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally
appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

ACKNOWLEDGMENT

State of California
County of _____

On _____ before me, (here insert name and title of the officer), personally
appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

DESCRIPTION OF THE FACILITIES

The Facilities consist of [Description of Facilities] located at _____,
City and County of San Francisco, California.

EXHIBIT B

DESCRIPTION OF THE SITE

The land referred to in this Assignment Agreement is situated in the City of San Francisco, County of San Francisco, State of California, and is described as follows:

Approved by: _____

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

§ _____ *

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)**

The City and County of San Francisco (the "City"), on behalf of the City and County of San Francisco Finance Corporation (the "Corporation"), will receive sealed bids and electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE: [Day of the Week], _____, 2010
(Subject to postponement or cancellation in accordance with this Official Notice of Sale)

TIME: 8:30 a.m. (California time)

PLACE: 1 Dr. Carlton B. Goodlett Place, Room 336,
San Francisco, California 94102

DELIVERY DATE: _____, 2010

* Preliminary, subject to reduction as provided herein.

OFFICIAL NOTICE OF SALE

\$ _____*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

NOTICE IS GIVEN that electronic bids and sealed bids will be received in the manner described below and, in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") on behalf of the City and County of San Francisco Finance Corporation (the "Corporation") for the purchase of not to exceed \$ _____* aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010 (Emergency Communication System Refinancing) (the "Bonds"), more particularly described below, at 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

_____, 2010, at 8:30 a.m. (California time)

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

THE RECEIPT OF BIDS ON [DAY OF THE WEEK], _____, 2010 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. 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 business day preceding the 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 by: Grigsby & Associates, Inc., 311 California Street, Suite 320, San Francisco, California 94104; telephone: (415) 392-4800, Attention: Jerry Liang (e.mail: jliang@grigsbyinc.com); and KNN Public Finance, 1333 Broadway, Suite 1000, Oakland, California 94612; telephone: (510) 208-8209, Attention Marian Breitbart (e.mail: mbreitbart@knninc.com) (collectively, the "Co-Financial Advisors"), provided, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Postponement or Cancellation of Sale."

The amount of Series 2010-R1 Bonds to be sold may be substantially reduced, and the City may decide not to issue any Series 2010-R1 Bonds. The City is issuing the Series 2010-R1 Bonds for the purpose of refunding certain outstanding lease revenue bonds of the City (the "Refunded Bonds"). See "PLAN OF REFUNDING" in the Preliminary Official

* Preliminary, subject to reduction as provided herein.

Statement with respect to the Series 2010-R1 Bonds (the "Preliminary Official Statement"). Therefore, the principal amount of Series 2010-R1 Bonds to be issued, if any, is dependent upon the interest rates at which the Series 2010-R1 Bonds are sold. The principal amount of Series 2010-R1 Bonds offered for sale pursuant to this Official Notice of Sale may be significantly lower than the principal amount set forth herein if interest rates increase after the date hereof, and the City may decide not to issue any Series 2010-R1 Bonds. **The City will provide potential bidders through Parity with the principal amount and principal payment schedule to be used as the basis for bids on the Series 2010-R1 Bonds no later than 1:00 p.m. (California time) on the business day preceding the date set for receipt of bids. Potential bidders must obtain the principal payment schedule prior to bidding on the Series 2010-R1 Bonds. In addition, the City reserves the right to adjust the principal payments on the Series 2010-R1 Bonds within certain limitations subsequent to the receipt of bids. See "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments".**

The Corporation reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto, for any years from 20__ through and including 20__; 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 for posting to the Parity bid delivery system. If the summary of the terms of sale of the Bonds 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 BONDS

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California for the purpose of providing financing assistance to the City by acquiring, constructing, installing, improving and equipping certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public.

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY, AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED _____, 2010 (THE "PRELIMINARY OFFICIAL STATEMENT"), WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Interest Rates. Interest on the Bonds will be payable on _____, 201__, and semiannually thereafter on April 1 and October 1 of each year (each an "Interest Payment Date"). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

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

- (i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent ($1/8$ or $1/20$ of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity shall not exceed six percent (6.0%) per annum;
- (iii) no Bond shall bear a zero rate of interest;
- (iv) each Bond 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 Bonds maturing at any one time shall bear the same rate of interest.]

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on April 1 of each year, commencing on April 1, 20__ as shown below. The final maturity of the Bonds shall be April 1, 20__. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of \$5,000. No serial Bonds may mature following the commencement of the first mandatory sinking fund payment. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. Bidders will provide bids on the Total Principal Amount only. Subject to adjustment as provided herein, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Principal Payment Date (April 1)	Total Principal Amount*
--	----------------------------

TOTAL \$ _____

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Corporation with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The Corporation 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 Bonds in increments of \$5,000, as determined in the sole discretion of the Corporation. Any such adjustment of principal payments on the Bonds shall be based on the schedule of principal payments provided by the Corporation to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond 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 BONDS BY THE CORPORATION (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 OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE. See "TERMS OF SALE — Reoffering Prices and Certificate" below.

Redemption. (a) Optional Redemption. The Bonds maturing on or before April 1, 20__, will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds, if any, maturing on or after April 1, 20__, are subject to optional redemption prior to their respective stated maturity dates, at the option of the Corporation, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (with the maturities to be redeemed to be determined by the Corporation and by lot within a maturity), on or after April 1, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

(b) Mandatory Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments,

* Preliminary, subject to change.

on each April 1 on or after April 1, 20__, designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Co-Bond Counsel, Schiff Hardin LLP and Lofton & Jennings (“Co-Bond Counsel”), will deliver separate opinions to the effect that in the opinion of such Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the further opinion of Co-Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. See “TAX MATTERS” in the Preliminary Official Statement.

A complete copy of the proposed forms of the opinions of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. The approving legal opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the approving opinions will be filed with [The Depository Trust Company (“DTC”) and with] the Treasurer of the City (the “City Treasurer”).

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) for an aggregate purchase price not less than 99% of the aggregate principal amount of the Bonds, (3) submitted with a Good Faith Deposit (see “– Good Faith Deposit”), (4) unconditional, and (5) (i) submitted on the Official Bid Form attached as Exhibit A and signed by the bidder, or (ii) submitted via Parity. Electronic bids must conform to the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City and County of San Francisco Finance Corporation at the address set forth on the cover and clearly marked “Bid for the City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds” or words of similar import, as described below and received by 8:30 a.m. California time, at the offices of the Office of Public Finance, City and County of San Francisco, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the Corporation 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 Bonds is canceled or postponed, all bids shall be rejected. No bid submitted to the Corporation is subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Corporation retains absolute discretion to determine whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Corporation 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.

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 either of the Co-Financial Advisors or Parity, phone: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds may be submitted electronically via Parity. The Corporation will attempt to accommodate bids submitted electronically via Parity. However, the Corporation does not endorse or encourage the use of such electronic bidding service. None of the Corporation, the Co-Financial Advisors or Co-Bond 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 Corporation at the place of bid opening, and the Corporation will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds 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 Corporation will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Corporation 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 Corporation is permitting use of Parity as a communication mechanism, and not as an agent of the Corporation, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Corporation; (5) the Corporation is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the Corporation may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) 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 Corporation, 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 Corporation unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost ("TIC") to the Corporation. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of such Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the Corporation will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Corporation.

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 Corporation shall accept the bid representing the lowest TIC to the Corporation, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the Corporation.

Good Faith Deposit. A 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 and County of San Francisco Finance Corporation, in the amount of \$_____ (the "Good Faith Deposit"), must be submitted with each bid to secure the Corporation from any loss resulting from the failure of the bidder to comply with the terms of its bid.

If the apparent winning bidder on the Bonds is determined to be a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, the Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith Deposit and provide the Federal wire reference number of such Good Faith Deposit to the Financial Advisors within ninety (90) minutes of such request by the Financial Advisors. The Bonds will not be officially awarded to a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Good Faith Deposit to the Financial Advisors.

The wire transfer is to be made to [Name of Bank], ABA _____, [Address of Bank], for credit to the City and County of San Francisco Finance Corporation, Bank Account No. _____, with notice thereof to _____, phone: (415) ____-____; fax: (415) ____-____.

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposits of the unsuccessful bidders will be returned by the Corporation promptly after the award of the Bonds 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 Corporation, and if in the form of a check, will be cashed. The Good Faith Deposit will be held and invested for the exclusive benefit of the Corporation. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Bonds, the Corporation shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds 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 Bonds 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 Bonds by the Purchaser, the Corporation reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the Corporation.

Reoffering Prices and Certificate. The successful bidder for the Bonds must actually reoffer all of the Bonds 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 Bonds, the successful bidder shall provide to the Corporation in writing the initial offering prices at which it has offered all of the Bonds 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 Bonds, the successful bidder shall provide to the Corporation, Schiff Hardin LLP, One Market, Spear Street Tower, 32nd Floor, Los Angeles, California 94105; fax: (310) 286-0992; Attention: Bruce P. Weisenthal; e-mail: bweisenthal@schiffhardin.com, and Lofton & Jennings, 225 Bush Street, 16th Floor, San Francisco, California 94104; fax: (415) 772-1909; Attention: William Lofton; e-mail: blofton@loftonjennings.com, a reoffering price certificate, in form and substance satisfactory to Co-Bond Counsel, and shall include such additional information as may be requested by Co-Bond Counsel. In addition, at the request of Co-Bond Counsel, the successful bidder will provide information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to the other securities brokers or dealers will not be considered sales to the general public.

Electronic Bids; Delivery of Form of Bids. If the Corporation accepts a bidder's bid that was submitted through Parity, the successful bidder shall submit a signed, completed and conforming Official Bid Form by facsimile transmission to _____, fax: (415) ____ - _____, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Right of Rejection and Waiver of Irregularity. The Corporation reserves the right, in its sole discretion, to reject any and all bids and 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 Corporation reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for Bonds and

adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto, for any years from 20__ through and including 20__ for the Bonds; 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 Corporation may postpone or cancel the sale of the Bonds 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 will be given through Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Corporation will take official action awarding the Bonds 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 Corporation 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 Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about _____, 2010.** Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Corporation will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – "PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL" to the Official Statement.

Qualification for Sale. The Corporation will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Corporation may deem necessary or appropriate to qualify the Bonds 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 Corporation 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 Bonds, the Purchaser assumes all responsibility for qualifying the Bonds 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 Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds 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 Corporation 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 Corporation executing such certificate, threatened, concerning the validity or tax-exempt status of interest on the Bonds, the corporate existence of the Corporation, or the title to their respective offices of the officers of the Corporation who will execute the Bonds. The City will deliver a certificate of the City stating that no litigation is pending or, to the knowledge of the officer signing the certificate, threatened, concerning the validity of the Lease.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Corporation fails to execute the Bonds and tender the same for delivery within thirty (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 Bonds, but neither the failure to print such numbers on any Bond 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 Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Bonds. 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 Corporation 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 sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Financial Advisors. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the Corporation 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 Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed ___) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the Corporation in writing within two days of the sale of the Bonds 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 Bonds, 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 the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Corporation. 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 Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City and an authorized representative of the Corporation, confirming to the Purchaser that, to the best of the knowledge of the signers, the Official Statement (except for information regarding the municipal bond insurance policy, if any, and the provider thereof, 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 Bonds 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 Rule 15c2-12, the City, on behalf of the Corporation, will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data 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.

Dated: _____, 2010

EXHIBIT A

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

[Day of the Week], _____, 2010

OFFICIAL BID FORM FOR THE PURCHASE OF
\$ _____ *
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

City and County of San Francisco Finance Corporation
 c/o City and County of San Francisco
 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 _____, 2010, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "Bonds") and offer to purchase all of the \$ _____ * aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of one percent (1.0%) of the aggregate principal amount of the Bonds in the form of (check one): _____ cashiers check or _____ wire transfer; and to pay therefor the price of \$ _____, which is equal to the aggregate principal amount of the Bonds plus a net premium of \$ _____ less a net discount of \$ _____ (such amount being the "Purchase Price"). The Bonds shall mature and will be subject to mandatory sinking fund redemption commencing no earlier than April 1, 20__ (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedule below.

(Check one)⁽¹⁾

(Check one)⁽¹⁾

Principal Payment Date (April 1)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate	Principal Payment Date (April 1)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
2010	_____	_____	_____	_____	2017	_____	_____	_____	_____
2011	_____	_____	_____	_____	2018	_____	_____	_____	_____
2012	_____	_____	_____	_____	2019	_____	_____	_____	_____
2013	_____	_____	_____	_____	2020	_____	_____	_____	_____
2014	_____	_____	_____	_____	2021	_____	_____	_____	_____
2015	_____	_____	_____	_____	2022	_____	_____	_____	_____
2016	_____	_____	_____	_____	2023	_____	_____	_____	_____

⁽¹⁾ Circle the final maturity of each term bond specified.

 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 CORPORATION 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.

THE BIDDER EXPRESSLY ACKNOWLEDGES THAT (A) THE CORPORATION 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 BONDS IN INCREMENTS OF \$5,000, AS DETERMINED IN THE SOLE DISCRETION OF THE CORPORATION, AND (B) 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.

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

NOTICE OF INTENTION TO SELL

§ _____ *
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

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

_____, 2010, at 8:30 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 System"), \$ _____ * aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010 (Emergency Communication System Refinancing) (the "Bonds").

The City reserves the right to postpone or cancel the sale of the Bonds, to reduce the aggregate principal amount of the Bonds, or to change the terms of the Bonds upon notice given through the Parity System as soon as practicable following such postponement or cancellation. If no bid is awarded for the Bonds, the City will reschedule the sale of the Bonds to another date or time by providing notification through the Parity System. Notice of the new date and time for receipt of bids shall be given through the Parity System as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of a postponement and of the new sale date and time will be given to any bidder requesting such notice by: Grigsby & Associates, Inc., 311 California Street, Suite 320, San Francisco, California 94104; telephone: (415) 392-4800, Attention: Jerry Liang (e.mail: jliang@grigsbyinc.com); and KNN Public Finance, 1333 Broadway, Suite 1000, Oakland, California 94612; telephone: (510) 208-8209, Attention Marian Breitbart (e.mail: mbreitbart@knninc.com) (collectively, the "Co-Financial Advisors"), provided, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale. Further information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds, and the Official Notice of Sale relating to the Bonds, are available electronically through the Parity System or may be obtained from either of the City's Co-Financial Advisors.

* Preliminary, subject to reduction.

On or around _____, 2010, the Preliminary Official Statement for the Bonds, and the Official Notice of Sale for the Bonds, 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.

The City reserves the right to modify or amend the Official Notice of Sale relating to the Bonds in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto, for any years from 20__ through and including 20__, as more fully described in the Official Notice of Sale; provided, that any such modification or amendment will be communicated to potential bidders through the Parity System 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.

Dated: _____, 2010

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2010
[OH&S DRAFT DATED 4/9/10]



New Issue - Book-Entry Only

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

In the opinion of Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, compliance with certain covenants and requirements described herein, interest on the 2010 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the further opinion of Co-Bond Counsel, interest on the 2010 Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Bonds. See "TAX MATTERS" herein. [To be updated by Co-Bond Counsel]



§ _____
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1
(911 INFORMATION AND COMMUNICATIONS SYSTEM)

Dated: Date of Delivery

Due: April 1, see 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 2010 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The bonds captioned above (the "2010 Bonds") are being issued to: (i) refund certain outstanding bonds of the City and County of San Francisco Finance Corporation (the "Corporation") as described herein; (ii) fund the 2010 Reserve Account of the Reserve Fund established under the Trust Agreement; and (iii) pay costs associated with the issuance of the 2010 Bonds. See "ESTIMATED SOURCES AND USES."

The 2010 Bonds are issued pursuant to a Master Trust Agreement, dated as of July 1, 2010 (the "Trust Agreement"), by and between the Corporation and [Trustee], as trustee (the "Trustee"), and in accordance with the Charter of the City and County of San Francisco (the "City"). See "THE 2010 BONDS—Authority for Execution and Delivery." Principal of and interest on the 2010 Bonds are payable from certain funds held under the Trust Agreement, including principally the Base Rental payments payable by the City pursuant to a Master Lease, dated as of July 1, 2010 (the "Lease"), by and between the Corporation, as lessor, and the City, as lessee. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS." The City has covenanted in the 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 2010 BONDS – Covenant to Appropriate." 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 Lease (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, or any portion thereof. See "CERTAIN RISK FACTORS – Abatement."

The 2010 Bonds will be issued only as fully registered bonds without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2010 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the 2010 Bonds will be made by the Trustee to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2010 Bonds. See "THE 2010 BONDS—Form and Registration." The 2010 Bonds will be dated and bear interest from their date of delivery. Interest on the 2010 Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2010. Principal will be paid as shown on the inside cover hereof. See "THE 2010 BONDS – Payment of Principal and Interest."

The 2010 Bonds are subject to redemption prior to their respective stated maturities. See "THE 2010 Bonds—Redemption Provisions."

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE, AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE 2010 BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE TRUST AGREEMENT, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE TRUST AGREEMENT PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE TRUST AGREEMENT. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2010 BONDS ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE 2010 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2010 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE
(See inside cover)

* Preliminary, subject to change.
OHS West:260891028.2

Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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 the completion or qualification or filing under the securities law of any such jurisdiction.

L&J DRAFT #1
05/18/10

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

PURCHASE CONTRACT

_____, 2010

City and County of San Francisco Finance Corporation
c/o City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Attention: Nadia Sesay, Director

City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Attention: Nadia Sesay, Director

Ladies and Gentlemen:

The undersigned, _____ (the "*Representative*"), acting on behalf of itself and the other underwriters listed on the signature page hereof (together with the Representative, the "*Underwriters*"), hereby offers to enter into this Purchase Contract (the "*Purchase Contract*") with the City and County of San Francisco Finance Corporation (the "*Corporation*") and the City and County of San Francisco (the "*City*"). The offer made hereby is subject to acceptance by the Corporation and the City by execution and delivery of this Purchase Contract to the Representative at or prior to 11:59 p.m., California time, on the date first above written, and if not so accepted will be subject to withdrawal by the Representative upon notice delivered to the Corporation and the City at any time prior to the acceptance hereof by the Corporation and the City. Upon acceptance of this offer by the Corporation and the City in accordance with the terms hereof, this Purchase Contract will be binding upon the Corporation, the City and the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Official Statement or the Trust Agreement (each as hereinafter defined).



APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of May 7, 2010.

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, including 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 specified documents and other information that is inconsistent with the information set forth in this Official Statement should be disregarded and no such other information is a part of or incorporated into this Appendix A.

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