

File No. 091451

Committee Item No. 7

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/13/10

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Gail Johnson

Date 1/8/10

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 [Resolution Authorizing Sale of Special Tax Bonds]

2
3 **Resolution authorizing the issuance and sale of special tax bonds in an aggregate**
4 **principal amount not to exceed \$10,000,000; approving the form of a Fiscal Agent**
5 **Agreement, a Purchase Contract and a Security Agreement; and authorizing and**
6 **approving other related actions in connection therewith.**

7
8 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
9 "City") has conducted proceedings under and pursuant to Chapter 43, Article X of the San
10 Francisco Administrative Code (the "Code"), which incorporates the Mello-Roos Community
11 Facilities Act of 1982 (the "Act"), to form "City and County of San Francisco Special Tax
12 District No. 2009-1 (San Francisco Sustainable Financing)" (the "Special Tax District"), to
13 authorize the levy of special taxes upon the land within the Special Tax District, and to issue
14 bonds secured by said special taxes for the purpose of financing and refinancing the
15 acquisition, installation and improvement of energy efficiency, water conservation and
16 renewable energy improvements to or on real property and in buildings, whether such real
17 property or buildings are privately owned or publicly owned (the "Facilities"), all as described
18 in those proceedings; and

19 WHEREAS, On October 6, 2009, by Resolution No. 387-09, this Board of Supervisors
20 adopted a Resolution adopting local goals and policies for community facilities districts (the
21 "Goals and Policies"); and

22 WHEREAS, The Board of Supervisors now wishes to provide for the issuance of the
23 special tax bonds to finance a portion of the Facilities and related costs and expenses, and
24 there have been submitted to this Board of Supervisors certain documents described below
25 providing for the issuance of the special tax bonds for the Special Tax District and the use of

1 the proceeds of those bonds, and this Board of Supervisors with the aid of its staff, has
2 reviewed the documents and found them to be in proper order; and

3 WHEREAS, All conditions, things and acts required to exist, to have happened and to
4 have been performed precedent to and in the issuance of the special tax bonds and the levy
5 of the special taxes as contemplated by this resolution and the documents referred to herein
6 exist, have happened and have been performed in due time, form and manner as required by
7 the laws of the State of California, including the Code; now, therefore, be it

8 RESOLVED, That pursuant to the Code, this resolution and the Fiscal Agent
9 Agreement (as defined below), special tax bonds designated the "City and County of San
10 Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax
11 Bonds, Series A" (the "Bonds") in an aggregate principal amount not to exceed \$10,000,000
12 are hereby authorized to be issued. The Bonds shall be executed in the form, mature, be
13 payable in the priorities and bear interest at the rates as provided in the Fiscal Agent
14 Agreement; and, be it

15 FURTHER RESOLVED, That the issuance of the Bonds is in compliance with the Code
16 and applicable provisions of the Goals and Policies; and, be it

17 FURTHER RESOLVED, Because Section 53345.8(a) of the Act requires, with certain
18 exceptions specified in the Act, that, in connection with the issuance of bonds secured by
19 special taxes in the Special Tax District, the value of the real property subject to special taxes
20 levied in the Special Tax District be at least three times the principal amount of the bonds that
21 are secured by a special tax levied on property within the Special Tax District or a special
22 assessment levied on property within the Special Tax District, the City will issue bonds for the
23 Special Tax District, including the Bonds, if both of the following requirements have been met:

24 (i) For each parcel that will be improved with Facilities as a result of issuance of
25 the bonds to be issued, the Taxable Property Value (as defined in the Fiscal Agent Agreement

1 defined below) of such parcel shall be at least ten times one of the following amounts, as
2 applicable: (A) if the proceeds of the bonds to be issued will only be used to finance Facilities
3 for such parcel, the aggregate principal amount of such bonds and (B) if the proceeds of the
4 bonds to be issued will be used to finance Facilities for a number of parcels, the aggregate
5 principal amount of such bonds attributable to that parcel. In order to calculate the principal
6 amount of the bonds to be issued that is attributable to a parcel for purposes of clause (ii) of
7 the previous sentence, the attributable portion shall be equal to the aggregate principal
8 amount of such bonds multiplied by a fraction, the numerator of which is the maximum
9 amount of Special Taxes that may be levied on such parcel, and the denominator of which is
10 the maximum amount of Special Taxes that may be levied on all parcels of land that will be
11 improved with Facilities as a result of issuance of the series of bonds to be issued.

12 (ii) The Board of Supervisors shall have made the determinations set forth in
13 Section 53345.8(b) or (c) of the Mello-Roos Act; and, be it

14 FURTHER RESOLVED, That with respect to issuance of the Series A Bonds, the
15 Board of Supervisors hereby finds that the Series A Bonds do not present any unusual credit
16 risk because of the value-to-lien test described in the previous paragraph and other
17 underwriting criteria developed by City staff; and be it

18 FURTHER RESOLVED, That each of the Mayor, the Controller, the Director of the
19 Office of Public Finance, the City Attorney, or such other official of the City as may be
20 designated by such officers (each, an "Authorized Officer") is hereby authorized and directed
21 to execute and deliver the documents approved herein in substantially the form on file with the
22 Clerk of the Board of Supervisors, together with such additions or changes as are approved
23 by such Authorized Officer upon consultation with the City's bond counsel, including such
24 additions or changes as are necessary or advisable to permit the timely issuance, sale and
25 delivery of the Bonds, provided, however, that no additions or changes shall authorize an

1 aggregate principal amount of Bonds in excess of \$10,000,000. The approval of such
2 additions or changes shall be conclusively evidenced by the execution and delivery by an
3 Authorized Officer of the documents herein specified; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors hereby approves the form of
5 the Fiscal Agent Agreement (the "Fiscal Agent Agreement") by and between the City and a
6 banking corporation to be identified by the Director of the Office of Public Finance, as fiscal
7 agent (the "Fiscal Agent") with respect to the Bonds, in substantially the form on file with the
8 Clerk of the Board of Supervisors. The date, manner of payment, interest rate or rates,
9 interest payment dates, denominations, form, registration privileges, manner of execution,
10 place of payment, terms of redemption and other terms of the Bonds shall be as provided in
11 the Fiscal Agent Agreement as finally executed and delivered. The terms and provisions of
12 the Fiscal Agent Agreement, as executed, are incorporated herein by this reference as if fully
13 set forth herein. An Authorized Officer is hereby authorized and directed to execute the Fiscal
14 Agent Agreement on behalf of the City and the Clerk of the Board of Supervisors is hereby
15 authorized and directed to attest thereto, subject to the terms of this Resolution; and, be it

16 FURTHER RESOLVED, That the Bonds will be sold to Renewable Funding, LLC (or a
17 related entity identified by Renewable Funding, LLC and acceptable to the City) (the "Bond
18 Purchaser") pursuant to a Purchase Contract (the "Purchase Contract") in substantially the
19 form on file with the Clerk. The terms and provisions of the Purchase Agreement, as
20 executed, are incorporated herein by this reference as if fully set forth herein. An Authorized
21 Officer is hereby authorized and directed to execute the Purchase Agreement on behalf of the
22 City and the Clerk of the Board of Supervisors is hereby authorized and directed to attest
23 thereto. The Board of Supervisors hereby finds that sale of the Bonds to the Bond Purchaser
24 at a private sale pursuant to the Purchase Contract will result in a lower overall cost than
25 would be achieved by selling the Bonds at a public sale utilizing competitive bidding; and, be it

1 FURTHER RESOLVED, The Board of Supervisors hereby approves a Security
2 Agreement between the City and the Bond Purchaser, pursuant to which the Bond Purchaser
3 would provide security to the City for the Bond Purchaser's obligation to purchase the Bonds
4 pursuant to the Purchase Contract, which Security Agreement shall be substantially in
5 accordance with the terms set forth in the term sheet on file with the Clerk. An Authorized
6 Officer, following consultation with the City Attorney and bond counsel, is hereby authorized
7 and directed to execute the Security Agreement on behalf of the City and the Clerk of the
8 Board of Supervisors is hereby authorized and directed to attest thereto; and, be it

9 FURTHER RESOLVED, That the Bonds shall be prepared, executed and delivered to
10 the Fiscal Agent for authentication, all in accordance with the terms of the Fiscal Agent
11 Agreement and the Purchase Contract. The Fiscal Agent, an Authorized Officer and other
12 responsible officers of the City are hereby authorized and directed to take such actions as are
13 required to cause the delivery of the Bonds upon receipt of the purchase price thereof; and,
14 be it

15 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
16 the City (including, but not limited to, the Authorized Officers) with respect to the
17 establishment of the Special Tax District and the sale and issuance of the Bonds are hereby
18 approved, confirmed and ratified, and the appropriate officers of the City are hereby
19 authorized and directed to do any and all things and take any and all actions and execute any
20 and all certificates, agreements and other documents, which they, or any of them, may deem
21 necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds
22 in accordance with this resolution, and any certificate, agreement, and other document
23 described in the documents herein approved. All actions to be taken by an Authorized Officer,
24 as defined herein, may be taken by such Authorized Officer or any designee, with the same
25 force and effect as if taken by the Authorized Officer; and, be it

1 FURTHER RESOLVED, That this resolution shall take effect from and after its
2 adoption. The provisions of any previous resolutions in any way inconsistent with the
3 provisions hereof in and for the issuance of the Bonds as herein described are hereby
4 repealed.

5
6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

8 By: (See File for Signature)
9 MARK D. BLAKE
10 Deputy City Attorney

FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**[FISCAL AGENT],
as Fiscal Agent**

Dated _____, 2010

Relating to:

**City and County of San Francisco
Special Tax District No. 2009-1
(San Francisco Sustainable Financing)
Special Tax Bonds**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made and entered into as of _____, 2010, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation and chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "Special Tax District"), and [FISCAL AGENT], a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the Board of Supervisors of the City has formed the Special Tax District under the provisions of Chapter 43, Article X of the San Francisco Administrative Code (the "Act"); and

WHEREAS, the Board of Supervisors, as the legislative body with respect to the Special Tax District, is authorized under the Act to levy special taxes to finance and refinance the acquisition, installation and improvement of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings, whether such real property or buildings are privately owned or publicly owned and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, on _____, 2010, the Board of Supervisors adopted Resolution No. _____ (the "Resolution") authorizing the issuance of special tax bonds (the "Series A Bonds") on behalf of the Special Tax District; and

WHEREAS, it is in the public interest and for the benefit of the City, the Special Tax District and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance and refinance Authorized Facilities (as defined below) and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the Series A Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Act" means Chapter 43, Article X of the San Francisco Administrative Code, as amended.

"Administrative Expenses" means costs directly related to the administration of the Special Tax District consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; and an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the Special Tax District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, and the costs of prosecuting foreclosure of delinquent Special Taxes.

"Administrative Expense Fund" means the fund designated the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Administrative Expense Fund" established and administered under Section 4.06.

"Agreement" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

"Auditor" means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

"Authorized Denominations" means (i) for a Series A Bond, an Initial Series A Authorized Denomination or a Transferable Series A Authorized Denomination, as the context may require and (ii) for any Parity Debt, the amount set forth in the Supplemental Agreement for such Parity Debt.

"Authorized Facilities" means "Facilities" as defined in the Resolution of Formation for the Special Tax District.

"Authorized Officer" means the Finance Director, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

"Board of Supervisors" means the Board of Supervisors of the City as the legislative body.

"Bond Counsel" means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond" or "Bonds" means the Series A Bonds and, if the context requires, any Parity Debt, at any time Outstanding under this Agreement or any Supplemental Agreement.

"Bond Fund" means the fund designated the "City and County of San Francisco, Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds Bond Fund" established and administered under Section 4.04.

"Bond Year" means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2010.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the Office of the State Finance Director, or any successor agency, board or commission.

"City" means the City and County of San Francisco, and any successor thereto.

"City Attorney" means any attorney or firm of attorneys employed by the City in the capacity of city attorney.

"Closing Date" means the date upon which there is a physical delivery of the Series A Bonds in exchange for the amount representing the purchase price of the Series A Bonds by the Original Series A Purchaser.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the City in connection with the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter's) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant's fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund designated the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds, Costs of Issuance Fund" established and administered under Section 4.02.

"County" means the City and County of San Francisco, California.

"Dated Date" means the dated date of the Series A Bonds, which is the Closing Date.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series A Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal payable on any Parity Debt during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Exchanged Series A Bond" has the meaning given that term in Section 2.06.

"Federal Securities" means: (a) any direct general 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 of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Finance Director" means the Controller of the City, or such official's designee.

"Fiscal Agent" means [Fiscal Agent], the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Improvement Fund" means the fund designated "City and County of San Francisco, Special Tax District No. 2009-1 (San Francisco Sustainable Financing), Special Tax Bonds, Improvement Fund," established under Section 4.07.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Special Tax District, or any real property in the Special Tax District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service, Inc. "Municipal and Government," 99 Church Street, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Initial Series A Authorized Denomination" means, with respect to the initial issuance of Series A Bonds, an amount identified by the City and agreed upon by the Original Series A Purchaser.

"Interest Payment Date" means each September 1 and March 1 of every calendar year, commencing with the date specified in each Series A Bond.

"Mello-Roos Act" means the Mello-Roos Community Facilities Act of 1982, as amended.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. _____, introduced by the Board of Supervisors on _____, 2010 and adopted by the Board of Supervisors on _____, 2010.

"Original Series A Purchaser" means _____, the first purchaser of the Series A Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Parity Debt" means additional bonds, notes, loans, advances or other debt (as defined in the Act) issued and payable on a parity with the Series A Bonds under Section 3.06.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means the following:

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including the Fiscal Agent, its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement; and

(k) the California Asset Management Program.

"Principal Office" means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

"Rate and Method of Apportionment" means, collectively, (i) the Method of Apportionment of Special Tax attached as Exhibit B to the Resolution of Formation and (ii) as the context may require, one or more of the Rate Supplements to Method of Apportionment of Special Tax.

"Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

"Refunding Bonds" means bonds, notes, loans, advances or other debt (as defined in the Act) issued by the City for the Special Tax District, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the net interest cost to maturity of the Refunding Bonds is less than the net interest cost to maturity of the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Reserve Fund" means the fund designated the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing), Special Tax Bonds, Reserve Fund" established and administered under Section 4.03.

"Reserve Fund Credit Facility" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 4.03, provided that all of the following requirements are met at the time of its issuance: (a) the long-term credit rating of such bank or insurance company is in the highest rating category by at least two rating agencies; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 4.03; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to Section 4.03(B).

"Reserve Fund Deposit Amount" has the meaning given that term in Section 4.03 hereof.

"Reserve Requirement" has the meaning given that term in Section 4.03 hereof.

"Resolution" or "Resolution of Issuance" means Resolution No. _____ adopted by the Board of Supervisors on _____, 2010, authorizing the issuance of the Bonds.

"Resolution of Formation" means Resolution No. _____ adopted by the Board of Supervisors on _____, 2010 for the purpose of forming the Special Tax District.

"Restricted Series A Bonds" has the meaning given that term in Section 2.06(A)(ii)(b) of this Fiscal Agent Agreement.

"Restricted Series A Purchaser" has the meaning given that term in Section 2.06(A)(ii)(b) of this Fiscal Agent Agreement.

"Securities Depositories" means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Series A Bonds" means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

"SID" means an information depository of the State which is recognized by the Securities and Exchange Commission, if any.

"Special Tax Fund" means the special fund designated "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing), Special Tax Fund" established and administered under Section 4.05.

"Special Tax District" means the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" formed under the Resolution of Formation.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method of Apportionment, less any administrative fees (including but not limited to the portion of such Special Tax Prepayments attributable to Administrative Expenses) or penalties collected as part of any such prepayment.

"Special Tax Prepayments Account" means the account by that name established within the Bond Fund by Section 4.04(A) hereof.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the special taxes levied by the Board of Supervisors within the Special Tax District under the Act, the Ordinance and this Agreement.

"State" means the State of California.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

"Tax Code" means the Internal Revenue Code of 1986 as it may be amended from time to time, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Tax Consultant" means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

"Taxable Property Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of a parcel of real property in the Special Tax District subject to the levy of the Special Taxes, including the value of the then existing Authorized Facilities and any Authorized Facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Debt, as determined with respect to any parcel by reference to (i) an appraisal performed within three (3) months of the date of issuance of any proposed Parity Debt by an MAI appraiser (the "Appraiser") selected by the City, or (ii), in the alternative, the assessed value of a parcel and Authorized Facilities thereon as shown on the then current County real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Property Value of a parcel, the City may rely on an appraisal to determine the value and/or the most recent County real property tax roll. Neither the City nor the Finance Director shall be liable to the Owners, the Original Series A Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"Transferable Series A Authorized Denomination" means, with respect to a Transferable Series A Bond, (i) an amount equal to or greater than \$100,000 or (ii) such other amount identified by the City and communicated in writing to the Fiscal Agent.

"Transferable Series A Bond" means a Series A Bond that is in a Transferable Series A Authorized Denomination.

"Unanimous Approval" means each Unanimous Approval executed by an owner of property located within the boundaries of the Special Tax District for the purpose, among other things, of annexing property to the Special Tax District and approving the levy of a special tax according to the Rate and Method of Apportionment attached as an exhibit to such Unanimous Approval.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. The Bonds in the aggregate principal amount of Fifteen Billion Dollars (\$15,000,000,000) are hereby authorized to be issued by the City for the Special Tax District under and subject to the terms of the Act, the Resolution, this Agreement and other applicable laws of the State of California.

The Series A Bonds shall be designated as the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds, Series A," and shall be issued in the aggregate principal amount of not to exceed \$10,000,000.

In connection with the annexation of property to the Special Tax District, the Issuer may designate a parcel or parcels as an improvement area within the Special Tax District. After the designation of a parcel or parcels as an improvement area, the Issuer may incur indebtedness payable solely from special taxes levied on property in the improvement area, in which case such special taxes shall not constitute "Special Taxes" as defined in this Fiscal Agent Agreement, the bonds shall not constitute Bonds as defined in this Fiscal Agent Agreement and the issuance of such bonds shall not be subject to the provisions of this Fiscal Agent Agreement (including, but not limited to, Section 3.06).

Section 2.02. Terms of the Series A Bonds.

(A) Form; Denominations. The Series A Bonds shall be issued as fully registered Bonds without coupons. The Series A Bonds shall be lettered and numbered by the Fiscal Agent as follows: the initial Series A Bond shall be designated "Series A-1", the second Series A Bond shall be designated "Series A-2" and so on. Each Series A Bond shall be issued in an Initial Series A Authorized Denomination.

For purposes of clarifying the designation of future series of Parity Debt, the first series of Parity Debt shall be designated "Series B Bonds" and shall be lettered and numbered as follows: the initial Series B Bond shall be designated "Series B-1", the second Series B Bond shall be designated "Series B-2" and so on.

(B) Dated Date of Series A Bonds. The Dated Date of the Series A Bonds shall be the Closing Date.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Series A Purchaser, be imprinted on the Series A Bonds, but such numbers shall not constitute a part of the contract evidenced by the Series A Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Series A Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities; Interest Rates. The Series A Bonds shall be in the principal amount, shall mature and become payable on the September 1 and shall bear interest at the rates per annum set forth on such Series A Bond.

(E) Interest. The Series A Bonds shall bear interest at the rates set forth on such Series A Bonds and the interest shall be payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Series A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Series A Bond, interest is in default thereon, such Series A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Series A Bonds (including the final interest payment upon maturity or earlier redemption), is payable by check of the Fiscal Agent mailed on the applicable Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Series A Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Series A Bonds are transferred to a new Owner.

The principal of the Series A Bonds and any premium on the Series A Bonds are payable in lawful money of the United States of America upon surrender of the Series A Bonds at the Principal Office of the Fiscal Agent. All Series A Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Series A Bonds and, upon request of the City, issue a certificate of destruction of such Series A Bonds to the City.

Section 2.03. Redemption.

(A) The Series A Bonds are subject to optional redemption prior to their maturity as follows: [to come]:

In addition, in connection with the aggregation of Exchanged Series A Bonds with different maturity dates pursuant to Section 2.06(A), the City and the Original Series A Purchaser may provide for mandatory sinking fund redemption in order to maintain the same amortization schedule.

With respect to any redemption, the following redemption provisions shall apply:

(i) Notice of Redemption. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Series A Bonds designated for redemption, at their addresses appearing on the registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive

any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Series A Bonds.

(ii) Contents of Notices. Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Series A Bonds are to be called for redemption shall state as to any Series A Bond called in part the principal amount thereof to be redeemed, and shall require that such Series A Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Series A Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

(iii) Redemption. Whenever provision is made in this Agreement for the redemption of less than all of the Series A Bonds of any maturity or any given portion thereof, the Fiscal Agent shall select the Series A Bonds to be redeemed, from all Series A Bonds or such given portion thereof not previously called for redemption, by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

(iv) New Series A Bonds. Upon surrender of Series A Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Series A Bond or Series A Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series A Bond or Series A Bonds of such registered Owner.

(v) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Series A Bonds so called for redemption shall have been deposited in the Bond Fund, such Series A Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All Series A Bonds redeemed under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Series A Bonds in accordance with the Fiscal Agent's retention policy then in effect.

(B) Any Parity Debt shall be subject to redemption as set forth in the Supplemental Agreement relating to such Parity Debt.

Section 2.04. Form of Series A Bonds. The Series A Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution and Authentication of Series A Bonds.

(A) Execution. The Series A Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Finance Director and the Clerk of the Board of Supervisors who are in office on the date of execution of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Series A Bond ceases to be such officer before delivery of the Series A Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Series A Bonds to the Owner. Any Series A Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Series A Bond shall be the proper officers of the City although at the nominal date of such Series A Bond any such person shall not have been such officer of the City.

(B) Authentication. Only such Series A Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Series A Bonds.

(A) Series A Bonds Owned by the Original Series A Purchaser.

(i) With respect to any Series A Bond(s) in an Initial Series A Authorized Denomination owned by the Original Series A Purchaser, such Series A Bond(s) ("Exchanged Series A Bonds") may be exchanged at the Principal Office of the Fiscal Agent for Transferable Series A Bond(s) that, in the aggregate, equal(s) the aggregate principal amount of the Exchanged Series A Bonds. If possible, any such exchange shall be accomplished so that Exchanged Series A Bonds with the same interest rate and maturity date will be aggregated for this purpose; otherwise, (i) if the interest rates on the Exchanged Series A Bonds are different from each other, the interest rate on the Transferable Series A Bonds shall be an interest rate identified by the City that produces a debt service schedule for the Transferable Series A Bonds that is the same as the aggregate debt service schedule for the Exchanged Series A Bonds and (ii) if the maturity dates of the Exchanged Series A Bonds are different from each other, the Transferable Series A Bonds may be term bonds subject to mandatory sinking fund redemption in order to replicate the amortization schedule of the Exchanged Series A Bonds.

(ii) Thereafter, such Transferable Series A Bond(s) may be transferred by the Original Series A Purchaser, subject to compliance with one of the following conditions:

(a) The Board of Supervisors shall have approved and the City shall have delivered to an underwriter or placement agent acceptable to the City (A) an official statement relating to the Transferable Series A Bonds and complying with federal securities law and (B) an undertaking by the City and any other obligated person required to comply with Rule 15c2-12. The City covenants to introduce the official statement and undertaking described in the previous sentence for approval by the Board of Supervisors without unreasonable delay following receipt of a request from the Original Series A Purchaser to transfer Series A

Bonds. The covenant set forth in the previous sentence constitutes and shall be construed to be a duty imposed by law 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 in the performance of the official duty of such officials to enable the City to carry out and perform such covenant.

(b) The Transferable Series A Bonds shall be transferred to no more than 35 purchasers (when considered in the aggregate with all other owners of Series A Bonds), each of whom delivers to the Fiscal Agent and the City an executed letter substantially in the form of Exhibit C attached to this Fiscal Agent Agreement. Any such purchaser is referred to in this Fiscal Agent Agreement as a "Restricted Series A Purchaser" and any Transferable Series A Bonds owned by a Restricted Series A Purchaser are referred to as "Restricted Series A Bonds".

(c) The Board of Supervisors of the City shall have approved other transfer procedures which (1) in the opinion of Bond Counsel, will comply with applicable federal securities laws and (2) the Board of Supervisors has determined complies with the City's then-applicable Local Goals and Policies applicable to the Special Tax District.

(iii) Such transfer may be made in person or by such person's duly authorized attorney, upon surrender of such Transferable Series A Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent, and shall be reflected upon the books required to be kept under the provisions of Section 2.07. The cost for any services rendered or any expenses incurred by the Fiscal Agent and the City in connection with any such transfer or exchange shall be paid by the Original Series A Purchaser. The Fiscal Agent shall collect from the Original Series A Purchaser requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent shall not authenticate or register a Transferable Series A Bond in the name of an owner other than the Original Series A Purchaser unless the City shall have instructed the Fiscal Agent in writing to do so and enumerated under which of subparagraphs (a)-(c) above the transfer is being undertaken.

No transfers or exchanges of Series A Bonds shall be required to be made between a Record Date and the succeeding Interest Payment Date.

(B) Transfer of Transferable Series A Bonds by Owners Other than the Original Series A Purchaser.

(i) Restricted Series A Bonds. Following its initial transfer by the Original Series A Purchaser to a Restricted Series A Purchaser pursuant to the terms of Section 2.06(A)(ii)(b), a Restricted Series A Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such Restricted Series A Purchaser's duly authorized attorney, upon surrender of such Transferable Series A Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent; provided, however, that until such time as an official statement relating to the Transferable Series A Bonds and complying with federal securities law and an undertaking by the City and any other obligated person required to comply with Rule 15c2-12 have been approved and delivered by the City, such

Restricted Series A Bond shall be transferred in compliance with one of the following conditions:

(a) The Restricted Series A Bonds shall be transferred to no more than 35 purchasers (when considered in the aggregate with all other owners of Series A Bonds), each of whom delivers to the Fiscal Agent and the City an executed letter substantially in the form of Exhibit C attached to this Fiscal Agent Agreement.

(b) The Board of Supervisors of the City shall have approved other transfer procedures which (1) in the opinion of Bond Counsel, will comply with applicable federal securities laws and (2) the Board of Supervisors has determined complies with the City's then-applicable Local Goals and Policies applicable to the Special Tax District.

At such time as an official statement and a continuing disclosure undertaking relating to the Transferable Series A Bonds have been approved and delivered by the City, all Transferable Series A Bonds shall no longer be Restricted Series A Bonds and may be transferred pursuant to Section 2.06(B)(ii).

The cost for any services rendered or any expenses incurred by the Fiscal Agent and the City in connection with any such transfer or exchange shall be paid by the transferor.

The Fiscal Agent shall not authenticate or register a Restricted Series A Bond in connection with a transfer pursuant to this Section 2.06(B)(i) unless the City shall have instructed the Fiscal Agent in writing to do so and enumerated under which of subparagraphs (a) or (b) above the transfer is being undertaken.

(ii) Transferable Series A Bonds That Are Not Restricted Series A Bonds. At such time as an official statement and an undertaking relating to the outstanding Series A Bonds have been approved and delivered by the City, a Transferable Series A Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Transferable Series A Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Transferable Series A Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Transferable Series A Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Transferable Series A Bond or Transferable Series A Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Transferable Series A Bond or Transferable Series A Bonds, for a like aggregate principal amount. The Fiscal Agent shall not authenticate or register a Transferable Series A Bond in connection with a transfer pursuant to this Section 2.06(B)(ii) unless the City shall have instructed the Fiscal Agent in writing that it has approved and delivered an official statement and an undertaking relating to such Transferable Series A Bonds; once the City has given an instruction to that effect to the Fiscal Agent in connection with a

transfer of a Transferable Series A Bond, the City shall not be required to give such instruction in connection with any future transfers of such Transferable Series A Bond. No transfers or exchanges of Transferable Series A Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Transferable Series A Bonds for redemption or (ii) with respect to a Transferable Series A Bond after such Series A Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent. The City may require payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this

Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

(C) Additional Stock. If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

Section 2.10. Book-Entry Only System.

(a) The Series A Bonds will not initially be held in the book-entry only system. The Series A Bonds shall be held in the book-entry only system at such time as the City instructs the Fiscal Agent to do so and notifies the Fiscal Agent that (i) all of the Series A Bonds are Transferable Series A Bonds and (ii) an official statement and an undertaking relating to the Series A Bonds have been approved and delivered by the City.

(b) In the event DTC acts as the Depository for the Bonds, the following provisions shall apply. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal

Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect the DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Series A Bonds. At any time after the execution of this Agreement, subject to a determination by the City that the Reserve Fund Deposit Amount will be met in connection with issuance of the Series A Bonds, the City may issue the Series A Bonds for the Special Tax District in an amount not to exceed the aggregate principal amount set forth in Section 2.01 and deliver the Series A Bonds to the Fiscal Agent for authentication and delivery to the Original Series A Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the Series A Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Authorized Facilities by the Fiscal Agent from the proceeds of the Series A Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the Series A Bonds to the Original Series A Purchaser.

Subject to receipt by the Fiscal Agent of the Closing Certificate of the Original Series A Purchaser attached hereto as Exhibit B and an Officer's Certificate from the City which confirms that the Reserve Fund Deposit Amount will be satisfied in connection with issuance of the Series A Bonds, the Fiscal Agent is hereby authorized and directed to authenticate the Series A Bonds and to deliver them to the Original Series A Purchaser.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and the Reserve Fund, and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Amounts in the Improvement Fund, the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Authorized Facilities are not pledged to the repayment of the Bonds.

Section 3.03. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Parity Debt to the extent permitted by a Supplemental Agreement relating to such Parity Debt or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Authorized Facilities or upon the performance by any person of his obligation with respect to the Authorized Facilities.

Section 3.06. Parity Debt. In addition to the Series A Bonds, the City may issue Parity Debt in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Debt shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The City may issue such Parity Debt subject to the following specific conditions precedent:

(A) Compliance. The City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Debt shall not cause the City to exceed the bonded indebtedness limit of the Special Tax District.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Debt shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on the same date in any year in which principal is payable on the Series A Bonds (provided that there shall be no requirement that any Parity Debt pay interest on a current basis).

(C) Separate Funds; Reserve Fund Deposit Amount. The Supplemental Agreement providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts, and shall make such provisions such that the proposed Parity Debt will cause a deposit into the Reserve Fund in an amount equal to the Reserve Fund Deposit Amount.

(D) Coverage Test. Issuance of such Parity Debt shall satisfy both of the following requirements:

(i) The total of the maximum Special Taxes that may be levied under the Ordinance, the Agreement and any Supplemental Agreement shall be at least 100% of (a) the cumulative Annual Debt Service of the then Outstanding Bonds and the proposed Parity Debt through the final maturity date of the then Outstanding Bonds and the proposed Parity Debt plus (b) the cumulative expected levy for Administrative Expenses through the final maturity date of the then Outstanding Bonds and the proposed Parity Debt.

(ii) The aggregate Special Tax Prepayments (which are defined to exclude any administrative fees (including the portion of such Special Tax Prepayments attributable to Administrative Expenses) or penalties collected as part of any such prepayment) that could occur after the issuance of the Parity Debt shall be at least 100% of the cumulative Annual Debt Service of the Outstanding Bonds and the proposed Parity Debt.

(E) Value Test. The City shall have satisfied both of the following requirements:

(i) For each parcel that will be improved with Authorized Facilities as a result of issuance of the series of Parity Debt, the Taxable Property Value of such parcel shall be at least ten times one of the following amounts, as applicable: (i) if the proceeds of the Parity Debt will only be used to finance Authorized Facilities for such parcel, the aggregate principal amount of the Parity Debt and (ii) if the proceeds of the Parity Debt will be used to finance Authorized Facilities for a number of parcels, the aggregate principal amount of the Parity Debt attributable to that parcel. In order to calculate the principal amount of the Parity Debt that is attributable to a parcel for purposes of clause (ii) of the previous sentence, the attributable portion shall be equal to the aggregate principal amount of such Parity Debt multiplied by a fraction, the numerator of which is the maximum amount of Special Taxes that may be levied on such parcel, and the denominator of which is the maximum amount of Special Taxes that may be levied on all parcels of land that will be improved with Authorized Facilities as a result of issuance of the series of Parity Debt.

(ii) The Board of Supervisors shall have made the determinations set forth in Section 53345.8(b) or (c) of the Mello-Roos Act.

(F) Status of Taxes and Assessments. Any property being annexed to the Special Tax District in connection with the issuance of Parity Debt may not be delinquent in the payment of ad valorem property taxes, assessments and special taxes.

(G) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (A), (B), (C), (D), (E) and (F) of this Section 3.06 have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Debt without the need to satisfy the requirements of clauses (D), (E) and (F) above, and, in connection therewith, the Officer's Certificate in clause (G) above need not make reference to said clauses (D), (E) and (F).

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

The City may issue one or more Series of Parity Debt that are secured by a credit enhancement that is applicable only to that Series.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of Bond Proceeds. The sale proceeds of the Bonds received from the Original Series A Purchaser, unless otherwise specified in a Supplemental Agreement, shall be received by the City and deposited into the Costs of Issuance Fund, the Administrative Expense Fund, the Reserve Fund and the Improvement Fund, as applicable. The City and the Original Series A Purchaser may agree in writing that the portion of the sale proceeds that would otherwise be deposited into the Improvement Fund may be disbursed by the Original Series A Purchaser for the payment or reimbursement of the costs of the Authorized Facilities.

Section 4.02. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the City, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested in Permitted Investments pursuant to Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the City in the Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The City may, from time to time upon a determination that amounts in the Costs of Issuance Fund are not needed to pay Costs of Issuance, transfer all or a portion of the moneys in the Costs of Issuance Fund to the Administrative Expense Fund. The City shall maintain the Costs of Issuance Fund for a period of 90 days following the final issuance of Bonds, and then the City shall deposit any moneys remaining therein, including any investment earnings thereon, in the Administrative Expense Fund.

Section 4.03. Reserve Fund.

(A) Establishment of Fund; Deposits. The Reserve Fund is hereby established as a separate fund to be held by the City. Deposits into the Reserve Fund shall be made as required by Section 3.01, Section 3.06(C), Section 4.01 and Section 4.05(B).

At the time of issuance of Bonds, an amount shall be deposited into the Reserve Fund in an amount equal to the Reserve Fund Deposit Amount.

Reserve Fund Deposit Amount shall mean the following:

(i) an amount equal to not less than 5% of the principal amount of the Bonds being issued and not more than 10% of the principal amount of the Bonds being issued, which amount shall be determined by the City in its sole discretion;

(ii) a Reserve Fund Credit Facility in an amount equal to not less than 5% of the principal amount of the Bonds being issued and not more than 10% of the principal amount of the Bonds being issued, which amount shall be determined by the City in its sole discretion;

(iii) if the Bonds being issued will be secured by credit enhancement guaranteeing the payment of debt service on the Bonds being issued that is provided by an entity with a long-term credit rating at the time the credit enhancement is provided of "AAA" or its equivalent by two rating agencies, then no deposit to the Reserve Fund with respect to the Bonds being issued shall be required; or

(iv) A combination of one or more of the measures described in the preceding clauses (i)-(iii);

provided, that (X) in no event shall the City, in connection with the issuance of Parity Debt pursuant to a Supplemental Agreement, be obligated to deposit an amount in the Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Tax Code to be so deposited from the proceeds of such Parity Debt either without having to restrict the yield of any investment purchased with any portion of such deposit or otherwise; (Y) if such Parity Debt is a loan from a governmental agency, then a reserve fund shall be established in the amount, if any, required or permitted by such governmental agency (and the governmental agency shall have no right to moneys in the Reserve Fund); and (Z) if the City satisfies the requirement for a deposit into the Reserve Fund pursuant to clause (iii) above, then the owners of the related Bonds shall have no right to moneys in the Reserve Fund.

(B) Use of Reserve Fund. Moneys in the Reserve Fund shall be held in trust by the City for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the City solely for the purpose of making

transfers to the Fiscal Agent for deposit into the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Bond Fund. Whenever a transfer is required to be made from the Reserve Fund to the Fiscal Agent for deposit into the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount required to be withdrawn.

(C) Transfer of Excess of Reserve Requirement. On each September 2, if the amount in the Reserve Fund exceeds 10% of the principal amount of the Outstanding Bonds the debt service on which can be paid with moneys in the Reserve Fund pursuant to Section 4.03(A) (the "**Reserve Requirement**"), then the City shall transfer an amount equal to the excess from the Reserve Fund to either (i) the City's General Fund (but only to the extent the City deposited General Fund moneys into the Reserve Fund), (ii) the Administrative Expense Fund or (iii) such other fund or account, as determined by the City in its sole discretion.

(D) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the City may (but shall not be obligated to) (i) if redemption prior to maturity is permitted, then transfer cash or Permitted Investments in the Reserve Fund to the Bond Fund in the amount required to pay and redeem the Outstanding Bonds, or (ii) if redemption prior to maturity is not permitted, then transfer any cash or Permitted Investments in the Reserve Fund to the Bond Fund in the amount required to pay principal of and interest on the Outstanding Bonds through maturity. In the event that any amount remains in the Reserve Fund after any transfer described in the previous sentence, the remaining balance shall be transferred to either (i) the City's General Fund (but only to the extent the City deposited General Fund moneys into the Reserve Fund), (ii) the Administrative Expense Fund or (iii) such other fund or account, as determined by the City in its sole discretion.

Notwithstanding the provisions of the first paragraph of this Section 4.03(D), no amounts shall be transferred from the Reserve Fund under this Section 4.03(D) until after payment of any fees and expenses due to the Fiscal Agent.

(E) Transfer Upon Special Tax Prepayment.

(i) Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal amount of Bonds to be redeemed and the Outstanding principal amount of the Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund following the proposed redemption equal to the Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the City to the Fiscal Agent for deposit into the Bond Fund to be applied to the redemption of the Bonds, but only if the amount of the prepayment is less than the amount required for the

proposed redemption. If no transfer of moneys from the Reserve Fund to the Bond Fund is required for the proposed redemption, then the proportionate amount in the Reserve Fund shall be deposited by the City on the immediately succeeding September 2 in either the Administrative Expense Fund or the City's General Fund (but only in the City's General Fund to the extent that the City deposited General Fund moneys into the Reserve Fund), as determined by the City in its sole discretion.

(ii) Whenever Special Taxes are prepaid and Bonds are not to be redeemed with the resulting Special Tax Prepayments, a proportionate amount in the Reserve Fund (determined on the basis of the principal amount of Outstanding Bonds that will be paid from Special Tax Prepayments on deposit in the Special Tax Prepayments Account and the Outstanding principal of the Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund equal to the Reserve Requirement for all outstanding Bonds for which principal will not be paid from Special Tax Prepayments) shall be deposited by the City on the immediately succeeding September 2 in either the Administrative Expense Fund or the City's General Fund (but only in the City's General Fund to the extent that the City deposited General Fund moneys into the Reserve Fund), as determined by the City in its sole discretion.

(F) Investment. Moneys in the Reserve Fund shall be invested in Permitted Investments pursuant to Section 6.01.

(G) Reserve Fund Credit Facility. At the option of the City, a Reserve Fund Credit Facility may be deposited with the Fiscal Agent in an amount equal to the Reserve Requirement; provided that, if the City is depositing a Reserve Fund Credit Facility in substitution for cash then on deposit in the Reserve Fund, then (i) such substitution shall not result in the reduction or withdrawal of any ratings by any rating agency with respect to the Bonds (and the Authority shall notify each rating agency prior to making any such substitution), and (ii) the Fiscal Agent shall receive prior to any such substitution becoming effective an opinion of Bond Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Reserve Fund Credit Facility has been substituted shall be released to or at the direction of the City.

In the event at any time there is a combination of cash and a Reserve Fund Credit Facility on deposit in the Reserve Fund, the Fiscal Agent shall withdraw such cash in full prior to drawing on the Reserve Fund Credit Facility and, if and to the extent the Reserve Fund Credit Facility has been drawn upon, the Fiscal Agent shall reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

In the event that a Reserve Fund Credit Facility is available to be drawn upon for only one or more particular issue of Bonds, a separate account in the Reserve Fund may be established for such series and the calculation of the Reserve Fund Requirement with respect to all other Bonds shall exclude the debt service on such series of Bonds. Additionally, the Reserve Fund may be

maintained in the form of one combined Reserve Fund or in the form of one or more separate accounts and subaccounts established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Act to the extent directed by the City in writing to the Fiscal Agent.

(H) Use of Reserve Fund to Pay Final Fiscal Year's Special Taxes. The City may use a proportionate amount in the Reserve Fund to pay the final fiscal year of Special Taxes to be levied on a parcel. The proportionate amount shall be determined on the basis of the principal amount of Outstanding Bonds attributable to the parcel and the total Outstanding principal of the Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund equal to the Reserve Requirement for all Outstanding Bonds for which principal will not be paid with the Special Taxes to be paid by the property in the next fiscal year. The proportionate amount shall be deposited by the City in the Bond Fund and used for the purpose set forth in this Section 4.03(H).

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.03, Section 4.06 and Section 4.07 and as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is hereby established a separate account designated as the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

(B) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on the Bonds on such Interest Payment Date.

At least ten (10) Business Days before each Interest Payment Date, after taking into account any transfers from the Special Tax Prepayments Account pursuant to Section 4.04(C) below, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption) and the amount on deposit in the Bond Fund for such purpose. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

On the fifth (5th) Business Day prior to each Interest Payment Date, in the event that amounts in the Bond Fund are insufficient to pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on the Bonds on such Interest Payment Date, after taking into account any advance by

the City of moneys from the Administrative Expense Fund pursuant to Section 4.06(B), the Fiscal Agent shall request from the City a withdrawal from the Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, in a sufficient amount to eliminate any remaining Bond Fund insufficiency.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on the Bonds on such Interest Payment Date, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments.

(C) Special Tax Prepayments; Disbursements from the Special Tax Prepayments Account. Pursuant to the Rate and Method of Apportionment, Special Taxes may be prepaid by the owner of property in the Special Tax District in an amount equal to the sum of the maximum Special Taxes identified in the applicable Rate Supplement to Method of Apportionment of Special Tax in all Fiscal Years for which a Special Tax has not yet been levied. All Special Tax Prepayments, which is defined in this Agreement to exclude amounts attributable to Administrative Expenses (which shall be retained by the City for deposit in the Administrative Expense Fund), shall be transferred by the City to the Fiscal Agent for deposit in the Special Tax Prepayment Account pursuant to Section 4.05(A)(iii). At the time the City transfers any Special Tax Prepayments to the Fiscal Agent for deposit in the Special Tax Prepayments Account, it shall also provide the Fiscal Agent with a schedule showing the amount of such Special Tax Prepayments to be transferred to the Bond Fund with respect to each Interest Payment Date, as set forth in the following paragraph.

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund at least ten (10) Business Days prior to each Interest Payment Date in an amount equal to the Special Tax Prepayments scheduled to be used to pay principal of and interest on Bonds on such Interest Payment Date (based on the schedule prepared by the City and provided to the Fiscal Agent, as described in the previous paragraph), and shall be used by the Fiscal Agent to pay principal of and interest on the Bonds as set forth in the schedule.

(D) Investment. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested pursuant to Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

(F) **Excess.** On each September 2, any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on the immediately preceding September 1 shall be transferred to the City for deposit in the Administrative Expense Fund.

Section 4.05. Special Tax Fund.

(A) **Establishment of Special Tax Fund.** The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues. Except as provided below, the City shall promptly, but in any event no later than the 20th Business Day prior to each Interest Payment Date, remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent into the Special Tax Fund.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the City in the Administrative Expense Fund; and

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the City as follows:

(a) first, for transfer to the Fiscal Agent for deposit into the Bond Fund to pay any past due debt service on the Bonds;

(b) second, for deposit into the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund to the then-applicable Reserve Requirement; and

(c) third, for into the the Administrative Expense Fund; and

(iii) any proceeds of the prepayment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the City as follows:

(a) first, the portion of such proceeds constituting payment of the portion of the Special Tax levy for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the City in the Administrative Expense Fund; and

(b) second, the remaining portion of such proceeds, constituting "Special Tax Prepayments" as defined in this Agreement, shall be transferred by the City for deposit into the Special Tax Prepayments Account established pursuant to Section 4.04(A); and

(iv) any Special Tax Revenues constituting payment of a Special Tax that was levied to redeem "non-asset bonds" as a result of a failure to complete Authorized Facilities that were funded with proceeds of the Bonds shall be

separately identified by the Finance Director and shall be deposited by the City in the Bond Fund along with an Officer's Certificate instructing the Fiscal Agent to use the Special Tax Revenues to redeem Outstanding Bonds on the first possible date,

(B) Disbursements. On the fifteenth (15th) Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority: (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any scheduled transfers from the Special Tax Prepayments Account, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) of the second paragraph of Section 4.05(A), and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

(C) Investment. Moneys in the Special Tax Fund shall be invested and deposited by the Fiscal Agent pursuant to Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

(D) Excess. On each September 2, any excess moneys remaining in the Special Tax Fund shall be transferred to the City for deposit in the Administrative Expense Fund.

Section 4.06. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the City, to the credit of which deposits shall be made as required by Section 4.02(D), Section 4.03(C), Section 4.03(D), Section 4.04(F), Section 4.05(A), Section 4.05(D) and Section 4.07(C). Moneys in the Administrative Expense Fund shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be used by the City in the following order of priority:

(i) to pay Administrative Expenses,

(ii) to the extent that amounts on deposit in the Bond Fund on the seventh (7th) Business Day prior to any Interest Payment Date will be insufficient to pay scheduled debt service on the Bonds on the immediately succeeding Interest Payment Date as a result of delinquent Special Taxes, if the Finance Director, in its sole discretion, determines there are moneys in the Administrative Expense Fund available for this purpose, to advance moneys for deposit into the Bond Fund to pay delinquent Special Taxes,

(iii) if the Finance Director, in its sole discretion, determines there are moneys in the Administrative Expense Fund available for this

purpose, to replenish the Reserve Fund to the then-applicable Reserve Requirement or, in connection with an issuance of Bonds, to increase the Reserve Fund to the applicable Reserve Requirement, and

(iv) if the Finance Director, in its sole discretion, determines there are moneys in the Administrative Expense Fund available for this purpose, to pay any other lawful obligation of the City intended to increase the quantity or quality of energy efficiency and renewable energy improvements in the City, although it is the City's policy to preserve amounts in the Administrative Expense Fund for the purposes described in the preceding clauses (i), (ii) and (iii).

The City shall be entitled to recover any advances of moneys from the Administrative Expense Fund pursuant to clauses (ii) and (iii) above upon payment of delinquent Special Taxes, as set forth in Section 4.05.

The City shall close the Administrative Expense Fund following the final maturity date of the Bonds and payment of all amounts in the Administrative Expense Fund.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested pursuant to Section 6.01, and earnings and profits resulting from such investment shall be retained by the City in the Administrative Expense Fund to be used for the purposes of such fund.

Section 4.07. Improvement Fund.

(A) Establishment of Improvement Fund. The Improvement Fund is hereby established as a separate fund to be held by the City and to the credit of which fund deposits shall be made as required by Section 4.01. Moneys in the Improvement Fund shall be disbursed, for the payment or reimbursement of costs of the Authorized Facilities.

(B) Investment. Moneys in the Improvement Fund shall be invested pursuant to Section 6.01. Interest earnings and profits from such investment shall be retained in the Improvement Fund to be used for the purpose of such fund.

(C) Excess. On each July 1, if the City concludes that any moneys then on deposit in the Improvement Fund are not needed to finance Authorized Facilities, the City shall transfer any such excess moneys for deposit in the Administrative Expense Fund.

ARTICLE V
COVENANTS

Section 5.01. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

(A) Processing. On or about June 1 of each fiscal year in which Bonds are outstanding, the Finance Director shall (i) review the amount then on deposit in the Bond Fund and the Reserve Fund and (ii) communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied to provide for Annual Debt Service and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve Requirement, taking into account any parcel splits or combinations during the preceding and then current year.

(B) Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the Special Tax District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(C) Computation. The Finance Director shall fix and levy the amount of Special Taxes within the Special Tax District required for the payment of principal of and interest on any outstanding Bonds of the Special Tax District becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, and an amount estimated to be sufficient to pay the Administrative Expenses. In the alternative, the Finance Director may elect to fix and levy Special Taxes within the Special Tax District in an amount equal to, but not exceeding, the maximum authorized amounts as provided in the proceedings under the Resolution of Formation.

(D) Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Section 5.02. Covenant to Foreclose. Pursuant to Section 53356.1 of the Mello-Roos Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as

provided in the following paragraph. The Finance Director shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about February 15 and June 15 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the Special Tax District to the amount of Special Tax Revenues theretofore received by the City. If the Finance Director determines that any single parcel subject to the Special Tax in the Special Tax District is delinquent in the payment of two or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.05. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.06. Books and Records.

(A) **City.** The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) **Fiscal Agent.** The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and

accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.07. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Continuing Disclosure. At such time as the City concludes that continuing disclosure is either required by applicable federal securities law or otherwise would be appropriate, the City will covenant and agree that to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.10. Limits on Special Tax Waivers. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds.

Section 5.11. City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the Special Tax District and that the Special Taxes levied on the property are payable while the City owns the property.

Section 5.12. Bond Tenders. The City covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues, assuming the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, to pay the principal of and interest when due on the Bonds remaining Outstanding following such tender. Subject to the foregoing, in the event Bonds are tendered to the Fiscal Agent, such Bonds shall be cancelled by the Fiscal Agent and shall cease to accrue interest from the date such Bonds are tendered. Upon surrender of a Bond to be tendered in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the tendering party a new Bond or Bonds the principal amount of which is equal to the untendered portion of the Bonds and the interest rate and maturity date of which shall be the same as the interest rate and maturity date of the tendered bond. To the extent applicable, the City shall deliver to the Fiscal Agent an Officer's Certificate setting forth any adjustments to the

mandatory sinking fund schedule as a result of the tender, which Officer's Certificate must be accompanied by a certificate of an Independent Financial Consultant to the effect that it has reviewed the proposed adjustments in the mandatory sinking fund schedule and that the remaining Special Tax Revenues, if the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, will be sufficient to pay principal of and interest on the Bonds when due following such adjustment.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) **Funds and Accounts Held by the Fiscal Agent.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in Section (h) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder to the extent practicable, and if such investments can not be made shall hold such funds uninvested.

(B) **Funds and Accounts Held by the City.** Moneys in any fund or account created or established by this Agreement and held by the City shall be invested by the City in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) **Actions of Officials.** The Fiscal Agent and its affiliates or the City may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the City shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

(D) **Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement) at fair market value.

(E) **Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) **Confirmations Waiver.** The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically

waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

(G) Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at fair market value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, 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 by it hereunder in good faith and in accordance therewith.

(C) No General Liability. No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Owner of Bonds. The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) **Appointment.** The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) **Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

(C) **Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(D) **Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

(E) **No Successor.** If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) **Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the

Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Fiscal Agent Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate

shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(C) No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City or the Special Tax District herein or of any of the documents executed by the City or the Special Tax District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, 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, suffered or omitted by it hereunder in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, 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 City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect including, but not limited to, amending the Rate and Method of Apportionment, so long as the amendment does not result in coverage less than that set forth in Section 3.06;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) in connection with the issuance of any Parity Debt under and pursuant to Section 3.06;

(v) in connection with a commitment of credit enhancements for one or more series of the Bonds;

(vi) in connection with a commitment by an entity other than the City to satisfy all or a portion of the required deposit into the Reserve Fund in an amount equal to the Reserve Fund Deposit Amount; and

(vii) in order to comply with applicable federal tax laws relating to tax-exempt bonds or federal tax credit bonds.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums, as and when the same become due and payable or upon redemption as applicable; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

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

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

[Fiscal Agent],
Corporate Trust Department
[to come]
Fax: _____

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.09, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Series A Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds Outstanding; (ii) the balance in the Reserve Fund and any amounts of capitalized interest in the Bond Fund; (iii) the number of parcels in the Special Tax District which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (iv) the balance in the Refunding Fund; and (v) the assessed value of all parcels in the Special Tax District subject to the levy of the Special Taxes as shown in most recent equalized roll. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Finance Director shall file a report with the City no later than January 1, 2011 (to the extent Series A Bonds have been issued prior to that date and, if not, the January 1 following the issuance of Series A Bonds), and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the Special Tax District, (ii) the amount of Bond proceeds collected and expended with respect to the Special Tax District, and (iii) the status of the Authorized Facilities. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the Special Tax District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.13.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
Special Tax District No. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)

By: _____
Finance Director

[FISCAL AGENT],
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES A BOND

**** WHILE THE BONDS ARE OWNED BY EITHER (I) THE INITIAL SERIES A PURCHASER OR (II) A RESTRICTED SERIES A PURCHASER, THE BONDS ARE SUBJECT TO TRANSFER RESTRICTIONS PURSUANT TO SECTION 2.06 OF THE FISCAL AGENT AGREEMENT****

No. ___

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO**

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
Special Tax Bond, Series A-__**

INTEREST RATE

MATURITY DATE

DATED DATE

___%

September 1, _____

INTEREST PAYMENT DATES: March 1 and September 1, commencing _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "Special Tax District"), for value received, hereby promises to pay solely from "Special Tax Revenues" (as defined in the Fiscal Agent Agreement, dated _____, 2010 (the "Agreement") relating to the Bonds), which are derived from the annual special tax authorized under the Act to be collected within the Special Tax District (the "Special Tax") and certain funds held under the Agreement, to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount.

This Bond shall bear interest from the Interest Payment Date (as defined above) next preceding the date of authentication unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined in the Agreement) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date.

Principal of and interest on the Bonds (including the final interest payment upon maturity), is payable on the applicable Interest Payment Date by check of [Fiscal Agent], as fiscal agent under the Agreement (the "Fiscal Agent") mailed by first class mail on the applicable Interest Payment Date to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$10,000,000 approved by resolution of the Board of Supervisors of the City on _____, 2010 (the "Resolution"), under Chapter 43, Article X of the San Francisco Administrative Code (the "Act"), and is one of the series of bonds designated "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds, Series A" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by the Agreement and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California. The Bonds are being issued to finance and refinance the acquisition, installation and improvement of energy efficiency and renewable energy improvements to or on real property and in buildings, whether such real property or buildings are privately owned or publicly owned.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from Special Tax Revenues and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The Agreement authorizes the City to issue bonds secured by and payable from Special Tax Revenues on a parity with the Series A Bonds, subject to the conditions set forth in the Agreement.

[The Bonds are subject to redemption prior to their maturity as follows: [to come].

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

Subject to the limitations set forth in the Agreement, no transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

[Applicable only if the Bonds are DTC Book-Entry Only: Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the County Clerk with the seal of the City imprinted hereon.

[S E A L]

County Clerk

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20____.

[Fiscal Agent],
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2009-1
(San Francisco Sustainable Financing)
Special Tax Bonds, Series A-___

BOND PURCHASER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am an authorized representative of _____ (the "Bond Purchaser"), and that, as such, I am authorized to execute this Certificate on behalf of the Bond Purchaser in connection with the issuance by the City and County of San Francisco (the "Issuer") of the above-referenced Special Tax Bonds (the "Bonds"). Capitalized terms used herein but not defined have the meaning given them in the Purchase Contract dated ____, 2010 between the Issuer and the Bond Purchaser (the "Purchase Contract").

I hereby further certify on behalf of the Bond Purchaser that:

(A) the representations and warranties made by the Bond Purchaser in the Purchase Contract are true and correct in all material respects on the date hereof, with the same effect as if made on the date hereof; and

(B) as of the date hereof, the form of security required pursuant to Section 2 of the Purchase Contract is in full force and effect **[in the case of a Letter of Credit:** in accordance with its terms and has not been amended, modified or supplemented except in such case as may have been agreed to by the Issuer]; and

(C) **[if relevant:** the Issuer and the Bond Purchaser have agreed that the Bond Purchaser will pay a portion of the sale proceeds of the Bonds directly to or on behalf of an owner of taxable property in the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) to pay or reimburse the costs of Authorized Facilities, and the Bond Purchase has paid such sale proceeds as agreed upon by the Issuer and the Bond Purchaser]; and

(D) the conditions to issuance of the Bonds in Section 8 of the Purchase Contract have either been satisfied to the Bond Purchaser's satisfaction or waived by the Bond Purchaser.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

By: _____

Authorized Representative

EXHIBIT C

CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2009-1 (SAN FRANCISCO SUSTAINABLE FINANCING) SPECIAL TAX BONDS

FORM OF PURCHASE LETTER

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

cc. Fiscal Agent

Ladies and Gentlemen:

The City and County of San Francisco (the "Issuer") has issued the above-referenced bonds (the "Bonds") for its "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "District") pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "Code"). Capitalized terms used in this letter but not defined have the meaning given them in the Fiscal Agent Agreement relating to the Bonds.

In connection with our purchase on the date hereof of \$_____ principal amount of the Bonds, the undersigned (the "Bond Purchaser") hereby represents, warrants and agrees as follows:

(a) The Bond Purchaser is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933, as amended.

(b) The Bond Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to the Bonds, to be capable of evaluating the merits and risks of an investment in the Bonds, and the Bond Purchaser is able to bear the economic risks of such an investment.

(c) The Bond Purchaser is purchasing the Bonds for not more than one account for investment purposes and not with a view to distributing the Purchased Bonds;

(d) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and, accordingly, that the Bond Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(e) The Bond Purchaser understands and acknowledges that, subject to satisfaction of certain conditions set forth in the Fiscal Agent Agreement, the Issuer may

issue subsequent series of bonds secured by Special Tax Revenues in the District on a parity with the Bonds.

(f) The Bond Purchaser (i) has conducted its own independent inquiry, examination and analysis with respect to the District and the Bonds, (ii) has had an opportunity to ask questions of and receive answers from the Issuer regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing, (iii) has been provided by the Issuer with all documents and information regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing that it has requested, and (iv) the Bond Purchaser has been provided with information sufficient to allow the Bond Purchaser to make an informed decision to purchase the Bonds.

(g) The Bond Purchaser (i) is not relying upon the Issuer, or any of its affiliates, officers, employees or agents, for advice as to the merits and risks of investment in the Bonds, and (ii) has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(h) The Bond Purchaser understands and acknowledges (i) that the offering of the Bonds is not subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, and (ii) that the Issuer has not prepared or caused to be prepared, and is not delivering, a deemed final official statement with respect to the Bonds and has not undertaken to provide to or for the benefit of holders of the Bonds financial or operating data or any other information with respect to the District or the Bonds on an ongoing basis.

(i) The Bond Purchaser is able to bear the economic risk of the investment represented by its purchase of the Bonds.

(j) In the event that the Bond Purchaser wishes to sell the Bonds in the future, the Bond Purchaser agrees and acknowledges that the Bonds cannot be sold without complying with transfer restrictions set forth in the Fiscal Agent Agreement, including but not limited to providing for execution and delivery by the proposed transferee of a letter in substantially the form of this letter, and the Bond Purchaser hereby agrees to assume the responsibility for disclosure of all material information that may be necessary to comply with all federal and related state securities laws.

By: _____

PURCHASE CONTRACT

**Not to Exceed
\$10,000,000 principal amount
CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS**

THIS PURCHASE CONTRACT (this "**Purchase Contract**") is made and entered into as of _____, 2009 (the "**Effective Date**"), by and between the City and County of San Francisco (the "**Issuer**"), for and on behalf of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the "**District**"), and [Renewable Funding LLC or a related entity acceptable to the City] (the "**Bond Purchaser**");

RECITALS

WHEREAS, on November 24, 2009, the Board of Supervisors (the "**Board of Supervisors**") of the Issuer adopted (i) Resolution No. 464-09, entitled "Resolution of Intention to Establish Special Tax District" (the "**Resolution of Intention to Form**"), stating its intention to establish the District, pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "**Code**"), which Code incorporates the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, et. seq., of the California Government Code (the "**Act**"), and (ii) Resolution No. 465-09, entitled "Resolution of Intention to Incur Bonded Indebtedness the "**Resolution of Intention to Incur Debt**", stating its intention to incur bonded indebtedness for the District in an amount not to exceed \$150,000,000; and

WHEREAS, the Resolution of Intention stated the intention of the Board of Supervisors to undertake the proceedings to form the District under the alternate procedures established by Section 43.10.17 of the Code, pursuant to which a special tax district may initially consist solely of territory proposed for annexation to the special tax district in the future; with the condition that a parcel or parcels within that territory may be annexed to the special tax district and subjected to the special tax (each, a "**Taxable Parcel**") only with the unanimous approval (each, a "**Unanimous Approval**") of the owner or owners of such parcel or parcels (each, a "**Taxable Parcel Owner**") at the time that such parcel or those parcels are annexed or pursuant to other procedures established by the Code (the "**Annexation Proceedings**"); and

WHEREAS, on [January 12, 2010], the Board of Supervisors held noticed public hearings as required by the Code on the issues of (i) the determination to proceed with the formation of the District and the method of apportionment of the special tax to be levied within the District to finance a portion of the costs of the facilities and (ii) the issuance of not to exceed \$15,000,000,000 of bonded indebtedness for the District; and

WHEREAS, on _____, 2010, the Board of Supervisors adopted (i) Resolution No. _____, entitled "Resolution of Formation of Special Tax District" (the "**Resolution of Formation**"), which established the District, authorized the levy of a special tax with the District and defined the facilities to be financed by the District, being the acquisition, installation and improvement of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings, whether such real property or buildings

are privately or publicly owned (the "**Facilities**"), and (ii) Resolution No. _____, entitled "Resolution Determining the Necessity to Incur Bonded Indebtedness" (the "**Resolution of Necessity**"), which determined the necessity to incur bonded indebtedness in the District, respectively; and

WHEREAS, on _____, 2010, the Board of Supervisors adopted Ordinance No. _____, entitled "An Ordinance of the Board of Supervisors of the City and County of San Francisco Levying Special Taxes within City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "**Ordinance**"); and

WHEREAS, the Board of Supervisors adopted Resolution No. _____, entitled "A Resolution Authorizing the Issuance and Sale of Special Tax Bonds, and Approving and Authorizing Related Documents and Actions" (the "**Bond Resolution**"; together, the Resolution of Intention to Form, the Resolution of Intention to Incur Debt, the Resolution of Necessity, the Bond Resolution and the Resolution of Formation are referred to in this Purchase Contract as the "**Resolutions**") authorizing the issuance of up to \$_____ principal amount of bonds (the "**Aggregate Principal Amount**") by the Issuer for the District (the "**Bonds**"), a fiscal agent agreement relating to the Bonds dated _____, 2010 and executed on the date hereof (the "**Fiscal Agent Agreement**") and this Purchase Contract; and

WHEREAS, the Bond Purchaser wishes to purchase up to \$10,000,000 aggregate principal amount of Bonds from the Issuer, and the Issuer wishes to sell the Bonds to the Bond Purchaser, and this Purchase Contract sets forth the terms under which the Bonds will be sold by the Issuer to the Bond Purchaser.

AGREEMENT

Section 1. Definitions. Terms not otherwise defined in this Purchase Contract shall have the same meanings as set forth in the Fiscal Agent Agreement.

Section 2. Agreement to Purchase. The term of this Purchase Contract shall begin on the Effective Date and continue through the earlier of (i) the second anniversary of the Effective Date or (ii) the date on which the aggregate principal amount of Bonds purchased by the Bond Purchaser under this Purchase Contract totals \$10,000,000 (the "**Term**"). During the Term, upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Bond Purchaser hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Bond Purchaser, up to \$10,000,000 aggregate principal amount of Bonds, the purchase price of each Bond (each, a "**Purchase Price**") to be the par amount of such Bonds.

On the date hereof, the Issuer and the Bond Purchaser will enter into a Security Agreement dated _____, 2010 (the "**Security Agreement**") pursuant to which the Bond Purchaser will provide security for the Bond Purchaser's obligation to purchase the Bonds.

The Bonds may be transferred by the Bond Purchaser, subject to the restrictions set forth in Section 5 of this Purchase Contract and in the Fiscal Agent Agreement. The Fiscal Agent Agreement will provide that, upon the request of the Bond Purchaser, the Fiscal Agent will exchange outstanding Bonds owned by the Bond Purchaser for Bonds of larger

denominations in order to facilitate the sale of Bonds by the Bond Purchaser in the denominations described in Section 5.

Section 3. Description of Bonds; Security for the Bonds. The Bonds will be issued pursuant to the Code, the Bond Resolution and the Fiscal Agent Agreement. The proceeds of the sale of the Bonds will be used by the Issuer to finance and refinance the Facilities.

The Bonds will be issued in denominations of any dollar amount equal to or greater than \$5,000. The Issuer and the Bond Purchaser expect that a separate Bond will be issued to finance the Facilities for each Taxable Parcel, although that need not be the case.

The maturity date of each Bond shall be not later than 20 years from the September 1 immediately following the Bond's issuance. The interest rate on each Bond will be a fixed interest rate equal to the lesser of (i) the maximum rate allowed by applicable law and (ii) such lower rate agreed upon by the Director of the Office of Public Finance; the initial interest rate shall be ___%.

The fiscal agent (the "**Fiscal Agent**") under the Fiscal Agent Agreement will be the corporate trust department of a state bank or national banking association identified by the Issuer.

The Special Taxes to provide a source of payment for the Bonds (the "**Special Taxes**") will be levied pursuant to the Resolution of Formation, the Ordinance, Annexation Proceedings and Unanimous Approvals executed by Taxable Parcel Owners. The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the Issuer and moneys held in certain funds and accounts established under the Fiscal Agent Agreement. The rate and method of apportionment of the Special Taxes in the District shall be according to (i) the Method of Apportionment approved by the Board of Supervisors pursuant to the Resolution of Formation and (ii) rate supplements approved by Taxable Parcel Owners pursuant to Unanimous Approvals or other Annexation Proceedings (the "**Rate and Method**"). The Special Taxes shall be secured by a lien on the Taxable Parcels established by recordation of a notice of special tax lien (each a "**Notice of Special Tax Lien**") as an encumbrance on each of the Taxable Parcels in the real property records of City and County of San Francisco.

The Fiscal Agent Agreement will permit issuance of additional bonds secured by a pledge of Special Tax Revenues on a parity with the Bonds, subject to satisfaction of the conditions set forth in the Fiscal Agent Agreement.

The Fiscal Agent Agreement shall establish provisions for a debt service reserve fund.

Section 4. Representations and Warranties of the Issuer. The Issuer represents and warrants to the Bond Purchaser as follows:

(a) The Issuer is duly organized and validly existing under the laws of the State of California (the "**State**").

(b) The Board of Supervisors, as the legislative body of the District, has the full legal right, power and authority to adopt the Resolutions and the Ordinance, and the Issuer has the full legal right, power and authority for and on behalf of the District (i) to enter into this Purchase Contract and the Fiscal Agent Agreement (collectively, the "**Issuer Documents**"), (ii) upon satisfaction of the conditions in this Purchase Contract and the Fiscal Agent Agreement, to issue, sell and deliver the Bonds to the Bond

Purchaser as provided herein, (iii) to secure the Bonds in the manner contemplated in the Fiscal Agent Agreement and (iv) to carry out and consummate all other transactions on its part contemplated by the Issuer Documents, and the Issuer and the Board of Supervisors have complied with all provisions of applicable law, including the Code, in all matters relating to such transactions.

(c) The Issuer has duly authorized (i) the execution and delivery by the Issuer for and on behalf of the District of the Bonds and the execution, delivery and due performance by the Issuer of its obligations under the Issuer Documents and (ii) the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the Issuer in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Resolutions and the Ordinance have been duly adopted by the Board of Supervisors, acting as legislative body of the District, at meetings that were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions and the Ordinance are in full force and effect and have not been amended or repealed; and the Fiscal Agent Agreement, when executed and delivered by the Issuer and the other party thereto (if any), will constitute a legal, valid and binding obligation of the Issuer for and on behalf of the District enforceable against the Issuer in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) When delivered to the Bond Purchaser, the Bonds will have been duly authorized by the Board of Supervisors and duly executed, issued and delivered by the Issuer and will constitute legal, valid and binding obligations of the Issuer for and on behalf of the District enforceable against the Issuer in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Fiscal Agent Agreement.

(f) Neither the adoption of the Resolutions or the Ordinance, the execution and delivery of the Issuer Documents, nor the consummation of the transactions on the part of the Issuer contemplated herein or therein or the compliance by the Issuer with the provisions hereof or thereof will conflict with, or constitute on the part of the Issuer, a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the Issuer is a party or by which it is bound, (ii) any provision of the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Issuer (or the members of the Board of Supervisors or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of the Issuer to perform its obligations under the Issuer Documents.

(g) Other than the Fiscal Agent Agreement, the Issuer has not entered into any contract or arrangement of any kind that might give rise to any lien or encumbrance on the Special Taxes.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the

Issuer or the District has been served with process or threatened, which in any way questions the powers of the Board of Supervisors or the Issuer referred to in paragraph (b) above, or the validity of any proceeding taken by the Board of Supervisors in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the Issuer Documents, or which, in any way, could adversely affect the validity or enforceability of the Resolutions, the Ordinance, the Issuer Documents or the Bonds, or, to the knowledge of the Issuer, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes or in any other way questions the status of the Bonds under State tax laws or regulations.

(i) Any certificate signed by an official of the Issuer authorized to execute such certificate and delivered to the Bond Purchaser in connection with the transactions contemplated by the Issuer Documents shall be deemed a representation and warranty by the Issuer to the Bond Purchaser as to the truth of the statements therein contained.

(j) The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the Issuer and moneys held in certain funds and accounts established under the Fiscal Agent Agreement. The Fiscal Agent Agreement creates a valid pledge of, and first lien upon the Special Tax Revenues deposited thereunder, and the moneys in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(k) The Special Taxes may lawfully be levied in accordance with the Ordinance and the Rate and Method, and, when levied, will be secured by a lien on the Taxable Parcels on which they are levied pursuant to the applicable Notices of Special Tax Lien.

Section 5. Representations and Warranties of the Bond Purchaser. The Bond Purchaser represents and warrants to the Issuer as follows:

(a) The Bond Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and has the full legal right, power and authority to execute this Purchase Contract and to purchase the Bonds as provided herein.

(b) The Bond Purchaser is an "accredited investor" (an "**Accredited Investor**") as such term is defined in Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933, as amended.

(c) The Bond Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to the Bonds, to be capable of evaluating the merits and risks of an investment in the Bonds, and the Bond Purchaser is able to bear the economic risks of such an investment.

(d) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and, accordingly, that the Bond Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(e) The Bond Purchaser understands and agrees that, unless the City is provided an opinion of nationally-recognized bond counsel to the effect that a re-sale or transfer of bonds other than as set forth in this Section 5(e) will be compliant with federal securities laws and the Board of Supervisors has determined, in its sole discretion, that such transfer complies with the City's Local Goals and Policies applicable to the Special Tax District, it may resell or otherwise transfer all or any part of the Bonds only as follows:

(i) in denominations of not less than \$100,000, to no more than 35 purchasers in the aggregate, each of whom delivers to the Fiscal Agent and the Issuer an executed letter substantially in the form of Exhibit E attached to this Purchase Contract and otherwise complies in all respects with the provisions of the Fiscal Agent Agreement regarding such sale or transfer; or

(ii) in denominations of not less than \$100,000, upon approval by the Board of Supervisors and delivery by the Issuer to an underwriter or placement agent acceptable to the Issuer of (A) an official statement relating to the Bonds and complying with federal securities law and (B) an undertaking by the Issuer and any other obligated person required to comply with Rule 15c2-12, and otherwise upon compliance with all respects with the provisions of the Fiscal Agent Agreement regarding such sale or transfer.

(f) The Bond Purchaser understands and acknowledges that, subject to satisfaction of certain conditions set forth in the Fiscal Agent Agreement, the Issuer may issue subsequent series of bonds secured by Special Tax Revenues in the District on a parity with the Bonds.

(g) The Bond Purchaser (i) has conducted its own independent inquiry, examination and analysis with respect to the District and the Bonds, (ii) has had an opportunity to ask questions of and receive answers from the Issuer regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing, (iii) has been provided by the Issuer with all documents and information regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing that it has requested, and (iv) the Bond Purchaser has been provided with information sufficient to allow the Bond Purchaser to make an informed decision to purchase the Bonds.

(h) The Bond Purchaser (i) is not relying upon the Issuer, or any of its affiliates, officers, employees or agents, for advice as to the merits and risks of investment in the Bonds, and (ii) has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(i) The Bond Purchaser understands and acknowledges (i) that the offering of the Bonds is not subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), (ii) that, in connection with the purchase of the Bonds by the Bond Purchaser, the Issuer has not prepared or caused to be prepared, and is not delivering, a deemed final official statement with respect to the Bonds and has not undertaken to provide to or for the benefit of holders of the Bonds financial or operating data or any other information with respect to the District or the Bonds on an ongoing basis.

(j) The Bond Purchaser is able to bear the economic risk of the investment represented by its purchase of the Bonds.

(k) The Bond Purchaser acknowledges that Jones Hall, A Professional Law Corporation ("**Bond Counsel**") is acting as bond counsel to the Issuer, that Bond Counsel has no attorney-client relationship with the Bond Purchaser, and that the Bond Purchaser has sought legal advice from its own counsel to the extent it concluded legal advice was necessary.

Section 6. Closings. At such times and dates during the Term of this Purchase Contract as shall have been mutually agreed upon by the Issuer and the Bond Purchaser, but in no event later than five Business Days after Issuer has complied with its obligations under Section 8 hereof and requested the Bond Purchaser to purchase Bonds, the Issuer will deliver or cause to be delivered Bonds to the Bond Purchaser in definitive form duly executed and authenticated by the Fiscal Agent together with the other documents mentioned in Section 8 hereof; and the Bond Purchaser will accept such delivery and pay the Purchase Price of the Bonds by delivering to the Fiscal Agent for the account of the Issuer a check payable in federal funds or making a wire transfer in federal funds payable to the order of the Fiscal Agent. In the event the Bond Purchaser fails to pay the Purchase Price for the Bonds as required by this Section 6, the City will be entitled to apply moneys available for such purchase pursuant to the security mechanism described in Section 2 hereof.

The activities relating to the final execution and delivery of the Bonds and the Fiscal Agent Agreement and the payment therefor and the delivery of the certificates, opinions and other instruments as described in Section 8 of this Purchase Contract shall occur at the offices of Bond Counsel. The payment for the Bonds and simultaneous delivery of the Bonds to the Bond Purchaser is herein referred to as the "**Closing.**"

Section 7. Termination.

(a) The Bond Purchaser shall have the right to cancel its obligations to purchase the Bonds if during the Term of this Purchase Contract:

(i) either federal or state legislation shall have been enacted causing interest on obligations of the general character of the Bonds, to be includable in California personal income, and such legislation, in the Bond Purchaser's reasonable opinion, materially adversely affects the market price of the Bonds; or

(ii) legislation shall have been enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States shall have been rendered, the effect of which is that the Bonds, including any underlying obligations, or the Fiscal Agent Agreement, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(iii) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the

Bond Purchaser, would materially adversely affect the market for or market price of the Bonds; or

(iv) an amendment to the federal or State constitution shall be enacted or action taken by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the validity or enforceability of the Special Tax or the ability of the Issuer to issue the Bonds and levy the Special Tax as contemplated by the Fiscal Agent Agreement and the Rate and Method.

(b) The Issuer shall have the right to cancel this Purchase Contract if during the Term of this Purchase Contract:

(i) the Bond Purchaser does not purchase Bonds within five Business Days after Issuer has complied with Section 8 hereof with respect to such Bonds and requested the Bond Purchaser to purchase such Bonds; or

(ii) the Bond Purchaser fails to deliver, in connection with issuance of Bonds, a certificate in the form of Exhibit D dated as of the Closing Date.

Section 8. Issuer's Closing Conditions. The obligation of the Bond Purchaser to purchase the Bonds shall be subject (a) to the performance by the Issuer of its obligations to be performed by it hereunder at and prior to the Closing, (b) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the Issuer herein, and (c) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance satisfactory to the Bond Purchaser:

(a) At the time of Closing, (i) this Purchase Contract and the Fiscal Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Bond Purchaser, and (ii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions and ordinances (including, but not limited to, the Resolutions and the Ordinance) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) Receipt of the Bonds, executed by the Issuer and authenticated by the Fiscal Agent, at or prior to the Closing. The terms of the Bonds, when delivered, shall in all instances be as described in Fiscal Agent Agreement.

(c) At or prior to the Closing, the Bond Purchaser shall receive the following documents in such number of counterparts as shall be agreeable to the Issuer:

(i) A final approving opinion of Bond Counsel dated the date of Closing in the form attached to this Purchase Contract as Exhibit A.

(ii) In connection with the first Closing only, (A) certified copies of the Resolutions and the Ordinance and (B) an executed copy of the Fiscal Agent Agreement.

(iii) With respect to each Taxable Parcel, evidence of (A) execution of a Unanimous Approval or compliance with other applicable Annexation Proceedings and (B) recordation in the real property records of the City and

County of San Francisco of Notices of Special Tax Lien in the form required by the Code.

(iv) A certificate, in form and substance as set forth in Exhibit B, of the Issuer, dated as of the Closing Date.

(v) With respect to each Taxable Parcel: (A) a copy of a final invoice from an installer that qualifies under the State of California's California Solar Initiative ("CSI"); and (B) evidence, based upon information from the most recent available Fiscal Year, satisfactory to the Issuer and the Bond Purchaser that the value test established by Section 3.06(E) of the Fiscal Agent Agreement will be met.

(vi) In connection with the first Closing only, a certificate of the Fiscal Agent in form and substance as set forth in Exhibit C.

(vii) Evidence of compliance with Section 3.01 of the Fiscal Agent Agreement.

(viii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Bond Purchaser or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of the respective representations of the Issuer herein contained and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

Section 9. Expenses. The Issuer shall pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Purchase Contract, including, but not limited to, delivery of the Bonds, costs of printing the Bonds, fees and disbursements of Bond Counsel, any financial advisor and other consultants engaged by the Issuer, including the fees and expenses of the special tax consultant and fees of the Fiscal Agent.

The Bond Purchaser shall pay all expenses incurred by it in connection with its purchase of the Bonds, including fees and expenses of its counsel, if any, and fees of the California Debt Investment and Advisory Commission (if any). In addition, the Bond Purchaser shall pay all expenses relating to its resale or transfer of the Bonds, including any costs incurred by the Issuer in connection with the resale or transfer.

Section 10. Notice. Any notice or other communication to be given to the parties to this Purchase Contract may be given by delivering the same in writing at the following addresses:

City and County of San Francisco

1 Dr. Carlton B. Goodlett Place
City Hall
San Francisco, CA 94102
Attn: Director of the Office of Public Finance

With a copy to the City Attorney

[Bond Purchaser]

[to come]

Section 11. Benefit of this Purchase Contract. This Purchase Contract is made solely for the benefit of the Issuer and the Bond Purchaser (including the successors or assigns of the Bond Purchaser) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

Section 12. Improvement Areas. In connection with formation of improvement areas within the Special Tax District, the Issuer may choose to issue bonds payable solely from special taxes levied in that improvement area, and such bonds, unless otherwise agreed in writing by the Issuer and the Bond Purchase, shall not be subject to this Purchase Contract.

Section 13. Governing Law. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterpart. This Purchase Contract 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.

IN WITNESS WHEREOF, the Issuer and the Bond Purchaser have caused this Purchase Contract to be signed in their name by authorized representatives, all as of the Effective Date.

CITY AND COUNTY OF SAN FRANCISCO, for and on behalf of City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)

By: _____
Authorized Representative

[BOND PURCHASER]

By: _____
Authorized Representative

EXHIBIT A

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS**

FORM OF BOND COUNSEL OPINION

[date]

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall
San Francisco, CA 94102

[Bond Purchaser]

OPINION: \$_____ City and County of San Francisco Special Tax District No. 2009-1
(San Francisco Sustainable Financing) Special Tax Bonds, Series XXX

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City and County of San Francisco (the "City") of the above-referenced bonds (the "Bonds") pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "Code"), a resolution of the City adopted _____, 2009 (the "Resolution") and a Fiscal Agent Agreement, dated _____, 2009, by and between the City and _____, as fiscal agent (the "Fiscal Agent Agreement"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. This opinion is being delivered in our capacity as bond counsel to the City and not as counsel to the purchaser of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution, the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and chartered city with the power to adopt the Resolution, to enter into the Fiscal Agent Agreement, and to perform the agreements on its part contained therein and issue the Bonds.

2. The Fiscal Agent Agreement has been duly approved by the City pursuant to the Resolution and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

3. Pursuant to the Code, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

5. The special taxes levied in the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the "District") on property annexed to the District according to the procedures established by the Code shall be subject to the same lien priority in case of delinquency as is provided for ad valorem taxes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

7. The City has duly and validly executed the Purchase Contract relating to the Bonds, and the Purchase Contract constitutes the legal, valid and binding agreement of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases.

8. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS, SERIES XXXX

ISSUER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am the Director of the Office of Public Finance of the City and County of San Francisco (the "**Issuer**"), the Board of Supervisors of which is the legislative body for City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the "**Community Facilities District**"), a special tax district duly organized and existing under Chapter 43, Article X of the San Francisco Administrative Code and that as such, I am authorized to execute this Certificate on behalf of the Issuer in connection with the issuance of the above-referenced Special Tax Bonds (the "**Bonds**").

I hereby further certify on behalf of the Issuer that:

(A) to my best knowledge, after reasonable inquiry, no litigation is pending with respect to which the Issuer has been served with process or threatened (1) to restrain or enjoin the issuance of any of the Bonds or the collection of Special Tax Revenues pledged under the Fiscal Agent Agreement; (2) in any way contesting or affecting the authority for the issuance of the Bonds or the validity or enforceability of the Bonds, the Fiscal Agent Agreement or the Purchase Contract; or (3) in any way contesting the existence or powers of the Issuer;

(B) the representations and warranties made by the Issuer in the Issuer Documents are true and correct in all material respects on the Closing Date, with the same effect as if made on the Closing Date;

(C) as of the date hereof, the Fiscal Agent Agreement is in full force and effect in accordance with its terms and has not been amended, modified or supplemented except in such case as may have been agreed to by the Bond Purchaser;

(D) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Issuer Documents prior to issuance of the Bonds; and

(E) an amount equal to the Reserve Fund Deposit Amount (as defined in the Fiscal Agent Agreement) will be deposited into the Reserve Fund established by the Fiscal Agent Agreement in connection with issuance of the Bonds.

Capitalized terms not defined herein shall have the same meaning set forth in the Purchase Contract dated _____, 20____, between the Issuer and _____.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

CITY AND COUNTY OF SAN FRANCISCO, for
and on behalf of the City and County of San
Francisco Special Tax District No. 2009-1 (San
Francisco Sustainable Financing)

By: _____
Director of the Office of Public Finance

EXHIBIT C

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS**

FISCAL AGENT CLOSING CERTIFICATE

The undersigned hereby states and certifies that the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent") under that the Fiscal Agent Agreement dated _____, 2009 (the "Fiscal Agent Agreement") relating to the captioned bonds (the "Bonds"), and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Fiscal Agent:

- (1) The Fiscal Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.
- (2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and the Bonds have been authenticated by a duly authorized representative of the Fiscal Agent in accordance with the Fiscal Agent Agreement.
- (3) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the Fiscal Agent would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligation under the Fiscal Agent Agreement.

Dated: [closing date]

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Fiscal Agent

By _____
Authorized Officer

EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS, SERIES XXXX

BOND PURCHASER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am an authorized representative of _____ (the "Bond Purchaser"), and that, as such, I am authorized to execute this Certificate on behalf of the Bond Purchaser in connection with the issuance by the City and County of San Francisco (the "Issuer") of the above-referenced Special Tax Bonds (the "Bonds"). Capitalized terms used herein but not defined have the meaning given them in the Purchase Contract dated _____, 2009 between the Issuer and the Bond Purchaser (the "Purchase Contract").

I hereby further certify on behalf of the Bond Purchaser that:

(A) the representations and warranties made by the Bond Purchaser in the Purchase Contract are true and correct in all material respects on the date hereof, with the same effect as if made on the date hereof; and

(B) as of the date hereof, the form of security required pursuant to Section 2 of the Purchase Contract is in full force and effect [**in the case of a Letter of Credit:** in accordance with its terms and has not been amended, modified or supplemented except in such case as may have been agreed to by the Issuer]; and

(C) the conditions to issuance of the Bonds set forth in Section 8 of the Purchase Contract have either been satisfied to the Bond Purchaser's satisfaction or waived by the Bond Purchaser.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

[BOND PURCHASER]

By: _____
Authorized Representative

EXHIBIT E

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BONDS**

FORM OF PURCHASE LETTER

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall
San Francisco, CA 94102
Attn: Director of the Office of Public Finance

cc. Fiscal Agent

Ladies and Gentlemen:

The City and County of San Francisco (the "Issuer") has issued the above-referenced bonds (the "Bonds") for its "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "District") pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "Code"). Capitalized terms used in this letter but not defined have the meaning given them in the Fiscal Agent Agreement relating to the Bonds.

In connection with our purchase on the date hereof of \$_____ principal amount of the Bonds, the undersigned (the "Bond Purchaser") hereby represents, warrants and agrees as follows:

(a) The Bond Purchaser is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933, as amended.

(b) The Bond Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to the Bonds, to be capable of evaluating the merits and risks of an investment in the Bonds, and the Bond Purchaser is able to bear the economic risks of such an investment.

(c) The Bond Purchaser is purchasing the Bonds for not more than one account for investment purposes and not with a view to distributing the Purchased Bonds;

(d) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and, accordingly, that the Bond Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(e) The Bond Purchaser understands and acknowledges that, subject to satisfaction of certain conditions set forth in the Fiscal Agent Agreement, the Issuer may issue subsequent series of bonds secured by Special Tax Revenues in the District on a parity with the Bonds.

(f) The Bond Purchaser (i) has conducted its own independent inquiry, examination and analysis with respect to the District and the Bonds, (ii) has had an opportunity to ask questions of and receive answers from the Issuer regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing, (iii) has been provided by the Issuer with all documents and information regarding the District, the Bonds (including the security therefor) and the matters, transactions and documents relating to the foregoing that it has requested, and (iv) the Bond Purchaser has been provided with information sufficient to allow the Bond Purchaser to make an informed decision to purchase the Bonds.

(g) The Bond Purchaser (i) is not relying upon the Issuer, or any of its affiliates, officers, employees or agents, for advice as to the merits and risks of investment in the Bonds, and (ii) has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(h) The Bond Purchaser understands and acknowledges (i) that the offering of the Bonds is not subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, and (ii) that the Issuer has not prepared or caused to be prepared, and is not delivering, a deemed final official statement with respect to the Bonds and has not undertaken to provide to or for the benefit of holders of the Bonds financial or operating data or any other information with respect to the District or the Bonds on an ongoing basis.

(i) The Bond Purchaser is able to bear the economic risk of the investment represented by its purchase of the Bonds.

(j) In the event that the Bond Purchaser wishes to sell the Bonds in the future, the Bond Purchaser agrees and acknowledges that the Bonds cannot be sold without complying with transfer restrictions set forth in the Fiscal Agent Agreement, including but not limited to providing for execution and delivery by the proposed transferee of a letter in substantially the form of this letter, and the Bond Purchaser hereby agrees to assume the responsibility for disclosure of all material information that may be necessary to comply with all federal and related state securities laws.

By: _____

SF Sustainable Financing Program
Terms of Security Agreement between Renewable Funding and City
12/15/09

1. Recitals

- a. The City and County of San Francisco (the "City") is developing a program, now tentatively identified as the SF Sustainable Financing Program (the "Program") under which City will offer special tax financing of renewable energy, energy efficiency and water efficiency improvements to property owners within the City.
- b. The City circulated an RFP (the "RFP") to establish an arrangement to provide the initial \$10,000,000 of Program financing, as well as administrative services to the Program.
- c. The RFP terms included a requirement that security for the obligation to purchase bonds be provided by the selected proposer, though that security may diminish as bonds are purchased towards the \$10,000,000 commitment.
- d. Through negotiations with the selected proposer, Renewable Funding, LLC ("RF"), RF has proposed an alternative approach whereby it would provide \$5,000,000 of security initially, and then would recapitalize the Program with an additional \$5,000,000 of purchase security upon the program's achievement of a certain principal amount of financings.
- e. Under this alternate proposal, RF has offered a bank line of credit in the name of Bond Fund (defined below), a bankruptcy-remote entity in the opinion of counsel to RF, as well as cash in a control account to achieve the desired level of security for the financing obligation.
- f. As set forth below the City is willing to accept the proposed security, but requires assurances that Line will be available if RF ceases to operate or becomes insolvent. These assurances include (i) the pre-funding of any related line of credit fees, (ii) a statement that there be no conditions on draws other than delivery of bonds as collateral and (iii) City control over draws from the proposed security.
- g. The term of the initial obligation to purchase \$5,000,000 of bonds shall be 18 months, with a potential renewal of the term upon the recapitalization described above.
- h. The parties agree that the preferred path to the recapitalization described above is via a remarketing of the initial tranche of Program debt by Bond Fund. The City also desires to reach a successful remarketing in order to better demonstrate the viability of a market-based funding model. Therefore, in order to demonstrate Bond Fund's continuing ability to pursue a remarketing in a timely manner as

preferred by the parties, the terms below include deposits into a Remarketing Reserve Subaccount that would be held on behalf of the program and used to make Bond Fund or its successor in interest whole in the event of a remarketing at a discount.

2. Definitions

- a. "Bond Fund" is an entity formed by Renewable Funding to perform the duties required under the proposed bond purchase relationship with the City and the related relationship with the Line of Credit bank. Bond Fund must be formed in such a way to allow the City in the event of an RF bankruptcy or other failure to cause Bond Fund to purchase bonds as described herein.
- b. "Line of Credit" means a line of credit, standby or direct-pay letter of credit or surety bond that:
 - i. is in the amount of the Line of Credit Required Amount,
 - ii. is irrevocable during its term,
 - iii. has an initial term of at least 12 months,
 - iv. provides for written notice to the City within three business days in the event of a reduction in available balance below the Line of Credit Required Amount, and, in the event the Line of Credit is not restored to the Line of Credit Required Amount within 5 business days, authorizes the City on behalf of Bond Fund to draw or to cause a drawing thereon in amounts sufficient to ensure continued operation of the Program as described herein, with appropriate terms as to the control of those funds after such draw and the posting of collateral upon their use to purchase microbonds,
 - v. provides for at least 30 days' prior written notice to the City of the termination of the Line of Credit and, in the event RF has not provided at least 15 days prior to the termination of the Line of Credit either an irrevocable commitment from the provider of the Line of Credit to renew the Line of Credit or a replacement for the Line of Credit that meets the definition of Line of Credit, authorizes the City to draw or to cause a drawing thereon in amounts sufficient to ensure continued operation of the Program as described herein, with appropriate terms as to the control of those funds after such draw and the posting of collateral upon their use to purchase microbonds, and
 - vi. includes appropriate provisions that would allow the City, acting through Bond Fund or otherwise, to draw funds in respect of the purchase of Microbonds on the same terms as those set forth herein in the event RF ceases to exist or is otherwise unable to direct Bond Fund to take the actions required of it under this Agreement; such provisions will allow the City to take the

actions described in this definition subject only to (i) payment of related fees, provided that the City shall not be obligated to pay fees in an amount in excess of the amount on deposit in the Line of Credit Fee Subaccount, (ii) the delivery of appropriate Microbond collateral to the Line of Credit Bank upon purchase, (iii) the payment to the Line of Credit Bank of any debt service on such Microbonds received by the City and (iv) the payment to the Line of Credit bank of any net proceeds of a remarketing of the Microbonds when available, up to the amounts owed in respect of draws under the Line of Credit.

- c. "Line of Credit Fee Deposit Amount" means, as of the date of measurement, an amount equal to all facility fees, commitment fees, advance fees, interest charges and any other costs or charges anticipated to be payable by Bond Fund in respect of the Line of Credit over the full 18 month term of this agreement. The amount of such deposit shall be established by agreement of the parties using reasonable assumptions as to the fees, costs and charges payable on the Line of Credit over the term of this agreement.
- d. "Line of Credit Required Amount" means an amount equal to the Total Required Amount less the amount on deposit in the Loan Capital Subaccount.
- e. "Microbond" means each individual bond issued to finance authorized improvements to a single participating property.
- f. "Microbond Aggregation Date" means the first date that sufficient Microbonds have been purchased by Bond Fund under Section 3.a.2 to equal or exceed the Line of Credit's minimum advance amount.
- g. "Program Account" shall mean an account governed by a Berkeley-style Control Agreement, comprised of a "Loan Capital Subaccount," a "Line Credit Fee Subaccount" and a "Remarketing Reserve Subaccount."
- h. "Program Launch Date" means the first date on which the program is duly authorized by the City to accept applications for financing.
- i. "Recapitalization" means the deposit by RF of a Line of Credit and cash sufficient to satisfy its obligations under Section 4 of this term sheet.
- j. "Recapitalization Date" means the date on which RF achieves Recapitalization.
- k. "Recapitalization Deadline Date" means the date 90 days after the delivery of the Recapitalization Notice by City.
- l. "Recapitalization Notice" means the written notice delivered by City to RF as notification of the occurrence of the Recapitalization Trigger Date

- m. "Recapitalization Trigger Date" means the first date upon which either of the following conditions are satisfied:
 - i. Aggregate microbond purchases funded under the agreement equal or exceed \$3 million; or
 - ii. Aggregate microbond purchases funded under the agreement plus aggregate approved but unfunded financing reservations equal or exceed \$4 million.
 - n. "Remarketing Reserve Amount" means the amount required to be deposited in the Remarketing Reserve Account in respect of microbonds purchased, expressed as a percentage of the principal amount of the applicable microbond(s), as agreed by the parties prior to the Program launch, to be funded in phases as described below.
 - o. "Required Deposit" on any date shall mean an amount equal to the sum of
 - i. \$200,000 (or such other minimum advance amount specified in the applicable Line of Credit, provided, however, that any advance amount in excess of \$200,000 shall require the City's written approval), plus
 - ii. The product of:
 - A. the percentage of a Microbond's purchase price that would not be covered by a draw under the terms of the Line of Credit, multiplied by
 - B. the difference between (1) \$5,000,000 (for any date up to the Recapitalization Date) or \$10,000,000 (for any date on or after the Recapitalization Date) and (2) the aggregate principal amount of Microbonds purchased by Bond Fund on or before such date.
 - p. "Total Required Amount" shall be defined as follows:
 - i. From the commencement of the program until the Recapitalization Date, the Total Required Amount shall be \$5,000,000, plus any minimum advance amount under the Line of Credit (anticipated to be \$200,000), if any, less any amounts paid to purchase microbonds under the agreement.
 - ii. From and after the Recapitalization Date, the Total Required Amount shall be \$10,000,000, plus any minimum advance amount under the Line of Credit (anticipated to be \$200,000), if any, less any amounts paid to purchase microbonds under the agreement.
3. Initial Security Obligation
- a. On or before the Program Launch Date, Bond Fund will provide the following:

- i. Line of Credit
 - A. As security for its obligation to purchase Microbonds, Bond Fund shall provide evidence of a Line of Credit in an amount not less than the Line of Credit Required Amount.
 - ii. Cash deposit into Loan Capital Subaccount of the Program Account
 - A. As security for its obligation to purchase Microbonds Bond Fund shall deposit an amount not less than the Required Deposit into the Loan Capital Subaccount of Program Account.
 - iii. Cash deposit into Line of Credit Fee Subaccount of the Program Account
 - A. As security for its obligation to purchase Microbonds Bond Fund shall deposit cash in the Line of Credit Fee Deposit Subaccount of the Program Account in an amount equal to Line of Credit Fee Deposit Amount, if any.
 - iv. Cash deposit into Remarketing Reserve Subaccount of the Program Account
 - A. To provide further assurances as to the ability and willingness of Bond Fund to achieve a Microbond remarketing in conjunction with the Recapitalization, Bond Fund shall deposit cash in the Remarketing Reserve Subaccount of the Program Account in an amount equal to \$25,000.
 - b. Notwithstanding the foregoing, Bond Fund may elect to fund the entire Total Required Amount in cash. The provisions of this Agreement relating to the utilization of a Line of Credit shall have no effect in such an event unless and until a Line of Credit is posted. All other payment obligations (including but not limited to the funding of the Remarketing Reserve Account described above) would remain in effect.
4. Ongoing Program Financial Operations
- a. Purchase of Microbonds
 - i. Bond Fund shall purchase each Microbond within five business days after written notice from the City that the City has satisfied the conditions for issuance under the bond purchase agreement.
 - A. The parties' expectation is that Bond Fund will purchase Microbonds using cash from amounts on deposit in the Loan Capital Subaccount, up to the point where a sufficient amount of Microbonds has been purchased to allow for a Line of Credit draw greater than or equal to the Line of

Credit's minimum advance amount, if a Line of Credit has been posted.

B. In the event that a portion of Bond Fund's security obligation has been satisfied by the posting of a Line of Credit, on the first date (the "Microbond Aggregation Date") that an amount of Microbonds has been purchased that equals or exceeds the Line of Credit's minimum advance amount, Bond Fund will make a draw on the Line of Credit to replenish a portion of the funds withdrawn from the Loan Capital Subaccount for such purchase.

(a) Illustrative example: Bond Fund purchases \$250,000 worth of Microbonds with cash, then uses those Microbonds as collateral for a draw of \$200,000 (80% of \$250k) for deposit back into the Loan Capital Subaccount.

b. Maintenance of Security

i. As security for its obligation to purchase Microbonds, Bond Fund shall at all times maintain the following:

A. Bond Fund shall maintain the Required Deposit in the Loan Capital Subaccount.

(a) Provided, however, that if Bond Fund has withdrawn funds from the Loan Capital Subaccount to purchase Microbonds as described in Section 4.a.i.A above, then the Required Deposit shall be deemed to be reduced by such withdrawal.

(b) Such deemed reduction of the Required Deposit shall only be effective until the date five business days after the Microbond Aggregation Date.

(c) If Bond Fund does not replenish the Loan Capital Subaccount to the full Required Deposit within 5 business days of the Microbond Aggregation Date, City shall have the right to direct a draw of the Line of Credit using such purchased Microbonds as collateral to accomplish the replenishment described in Section 4.a.i.B above.

B. For any time period during which a portion of the Total Required Amount is being satisfied by a Line of Credit, Bond Fund must further maintain the Line of Credit Fee Deposit Amount in the Line of Credit Fee Subaccount.

ii. From program launch through the date that the first \$5 million of Microbonds are remarketed, whenever the aggregate Remarketing Reserve Amount applicable to all approved funding reservations is less than \$5,000 less than the amount on deposit in the Remarketing Reserve Subaccount, Bond Fund

will deposit an additional \$25,000.

- A. Such deposits shall continue unless and until the full Remarketing Reserve Amount applicable to the first \$5 million principal amount of microbonds purchased by Bond Fund is on deposit in the Remarketing Reserve Subaccount.
- B. Amounts in the Remarketing Reserve Subaccount may be withdrawn by Bond Fund only for the purposes described in Section 4 below, and by City only for the purposes described in Section 5 below.

5. Recapitalization

- a. Upon the occurrence of the Recapitalization Trigger Date, City shall provide Bond Fund with the Recapitalization Notice.
- b. On or before the Recapitalization Deadline Date, Bond Fund shall provide a Line of Credit and/or deposit cash in the amount of the post-Recapitalization Date Total Required Amount.
- c. The parties anticipate that Bond Fund will achieve the above-described Recapitalization through a remarketing of its Microbonds.
 - i. If RF achieves a remarketing at a discount, but subject to compliance with its obligation to maintain a Line of Credit and cash in the Loan Capital Subaccount as described under Section 5.b. above, upon the posting of the added Line of Credit commitment described in section 5.b above RF shall be entitled to withdraw an amount equal to such remarketing discount from the Remarketing Reserve Subaccount.
 - ii. After \$5 million of microbonds have been remarketed, Bond Fund shall have no obligation to maintain amounts in the Remarketing Reserve Subaccount, the account may be closed and all amounts therein will be released to Bond Fund.
 - iii. Upon a request for remarketing by Bond Fund (or any successor owner of the microbonds), the City covenants to cooperate with the proposed remarketing. More specifically, without unreasonable delay, the City will cause to be prepared and then introduce for approval by the Board of Supervisors an official statement and a continuing disclosure undertaking; review and approval by the Board of Supervisors of the official statement and the continuing disclosure undertaking would be subject to applicable law and the discretion of the Board of Supervisors.
- d. Shared Remarketing Premium

- i. The parties recognize that the City's provision of startup funding and interest rate subsidies to the program are an investment in the success of the initial program rollout in achieving a marketable scale as early as possible. Such investment also serves to reduce the time period required to aggregate a principal amount of Microbond purchases sufficient to achieve an efficient remarketing, which in turn reduces the risks that Bond Fund bears as initial purchaser of the Microbonds. Therefore, in acknowledgement of this investment as well as the parties' shared interest in lowering financial barriers to Program entry in furtherance of bringing the Program to scale to facilitate procurement of a credit rating at the earliest possible date, if Bond Fund's remarketing of the first \$5 million aggregate principal amount of Microbonds results in its receipt of a premium net of its reasonable hedging costs, then Bond Fund shall pay 33% of such premium to the City for use in reducing the transaction and borrowing costs for future Microbonds.
- e. City option to terminate recapitalization provisions
- i. At any time prior to the Remarketing Trigger Date the City may provide written notice to Bond Fund that it is terminating the recapitalization provisions of the agreement.
 - ii. On the effective date of such termination notice, the obligation of Bond Fund to purchase Microbonds and maintain deposits in the Program Account shall continue as set forth above, with the following exceptions:
 - A. Bond Fund shall have no obligation to increase the funding commitment beyond the initial Total Required Amount deposit described in section 3.a above.
 - B. Bond Fund may withdraw amounts on deposit in the Remarketing Reserve Subaccount for its own use.
 - C. City shall retain its obligations to cooperate in the remarketing as described in Section 5.c.iii above.
 - D. City shall be free to implement a new bond purchase arrangement for Microbonds issued in excess of the initial \$5,000,000 principal amount of purchases.
 - E. Bond Fund shall have no obligation to share any remarketing premium as described in Section 5.d above.

6. Default and remedies

a. Bond Fund Defaults

- i. Bond Fund fails to purchase microbonds when required under this agreement
 - ii. Bond Fund fails to post evidence of a Line of Credit commitment and/or deposit cash in an aggregate amount equal to the post-Recapitalization Date Total Required Amount as required on or prior to the Recapitalization Deadline Date
 - iii. Bond Fund fails to satisfy its initial security obligations as described in Section 3.
 - iv. Bond Fund fails to maintain the commitments and deposits described above under Section 4.b.
 - v. Bond Fund fails to renew or replace a Line of Credit by the date 15 days before the scheduled termination of such Line of Credit
- b. City Remedies
- i. Upon a default as noted above, the City may draw or cause draws on the Line of Credit on the same terms as Bond Fund or as such terms are established as described in Sections 2.b.iv and 2.b.v above.
 - ii. Upon a default as noted above, the City may withdraw cash amounts held in any subaccount of the Program Account and apply those funds to the purchase of microbonds for Bond Fund's account (or, if Bond Fund ceases operation, for the City's account subject to the provisions set forth herein) and to the costs of remarketing the bonds.
 - A. The City's liability in a default situation will be limited to the costs it would have paid and activities it would have performed had there been no default, except that, with respect to bonds purchased for the City's own account with draws on the Line of Credit:
 - (a) the City will be obligated to use debt service it receives on the bonds to reimburse the Line of Credit bank for the draw, and
 - (b) at such time as Bond Fund and the City together own at least \$3,000,000 of Microbonds under the provisions set forth above, the City will be obligated (1) to introduce a proposed remarketing of such Microbonds for approval by the Board of Supervisors; review and approval by the Board of Supervisors of the proposed remarketing of the bonds, including all necessary documentation, would be subject to applicable law and the discretion of the Board of Supervisors and (2) apply all proceeds of such remarketing, less the City's reasonable costs of undertaking the remarketing, to reimburse the Line of Credit Bank

for the draw on the Line of Credit.

- B. The Line of Credit bank's sole remedies shall be (i) for payment of fees, charges and costs on the Line of Credit, amounts in Line of Credit Fee Subaccount and (ii) for reimbursement of draws on the Line of Credit, the receipt of any debt service on Microbonds received by the City, the net proceeds of the remarketing described in Section 6.b.ii.A above and any amounts remaining in the Remarketing Reserve Subaccount after payment of all purchase and remarketing costs described in clause 1 above applicable to the first \$5,200,000 of Microbonds issued.
- C. Should the remarketing described in this section yield funds in excess of the amounts due to the Line of Credit Bank in respect of draws made on the Line of Credit, such excess shall be retained by the City in respect of grant funds previously used to subsidize the project interest rate and would be applied toward appropriate program costs at the City's discretion, which may include further Program borrower assistance.

7. Microbond pricing

Microbonds shall be priced at a fixed rate. Initially each Microbond will bear an interest rate equal to the 20 year Treasury swap rate plus a spread of 350 basis points. Each Microbond rate shall be set utilizing such rate as available at the time of the funding request relating to such Microbond.

The Microbond pricing approach should reflect ability to adjust according to market performance of program microbonds. To that end, the parties agree to meet and confer regarding the potential adjustment of the Microbond pricing index or pricing approach as soon as practicable after (i) the Remarketing Trigger Date or the date that is 180 days after the Program Launch Date, whichever comes first, and (ii) any date on which the interest rate calculated according Section 7.a above exceeds 8.50%. At such time the parties by mutual written agreement may change the interest rate-setting approach for future Microbonds, provided that in no event will the pricing approach be changed retrospectively for applications that have already been granted a funding reservation. If such conference does not result in an agreement as to a modified pricing approach, the previously effective approach shall remain in effect.

Bond Fund shall provide remarketing information reasonably requested by City in its efforts to understand the performance of the remarketing.