

1 [Authorization for the issuance and sale of bond refunding the City and County of
2 San Francisco Settlement Obligation Bonds, Series 2001 (Business Tax Judgment).]

3 **Resolution authorizing and directing the sale of not to exceed \$50,500,000 City and**
4 **County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1;**
5 **prescribing the form and terms of said bonds, authorizing the execution, authentication**
6 **and registration of said bonds; providing for an annual appropriation to pay the**
7 **principal and interest thereof; providing for the appointment of depositories and other**
8 **agents for said bonds; providing for the establishment of accounts related thereto;**
9 **approving the form of the Official Notice of Sale and the Notice of the Intention to Sell**
10 **Bonds; approving the form and execution of the Official Statement relating thereto;**
11 **approving the form of the Continuing Disclosure Certificate; approving the form of the**
12 **Refunding Instructions; approving modifications to the documents approved herein;**
13 **ratifying certain actions previously taken; and granting general authority to City**
14 **officials to take necessary actions in connection with the authorization, issuance, sale**
15 **and delivery of said bonds.**

16 WHEREAS, The City and County of San Francisco (the "City") has heretofore issued
17 and sold its \$60,755,000 Settlement Obligation Bonds, Series 2001 (Business Tax Judgment)
18 pursuant to Resolution Nos. 277-01 (the "Authorizing Resolution") and 278-01 (the "Sale
19 Resolution"), adopted on April 16, 2001 by the Board of Supervisors for the purpose of
20 refunding final judgments entered pursuant to Section 998 of the Code of Civil Procedure of
21 the State of California in connection with various business tax cases (the "Prior Bonds"); and,

22 WHEREAS, The City intends to reduce the amount of debt service payments on the
23 Prior Bonds by refunding and setting aside funds to retire all or a portion of the Prior Bonds
24 and to pay the cost of issuance of the Bonds (as defined herein); and,

25 ///

1 WHEREAS, This Board of Supervisors has determined, and does hereby declare that it
2 is necessary and desirable to issue refunding bonds of the City to be designated the “City and
3 County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1” (the
4 “Bonds”) in an aggregate principal amount not to exceed \$50,500,000, for the purposes set
5 forth above and on the conditions set forth in this Resolution of the Board of Supervisors (this
6 “Resolution”); and,

7 WHEREAS, The Bonds will be payable from proceeds of annual appropriations from
8 any source of legally available funds of the City, including the General Fund of the City, as
9 provided herein; and,

10 WHEREAS, The adoption of this Resolution shall constitute authorization of the Bonds
11 within the meaning of Section 864 of the Code of Civil Procedure of the State of California;

12 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the City and
13 County of San Francisco, as follows:

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

15 Section 2. Issuance of Bonds. Pursuant to Section 9.111 of the City Charter and
16 Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of
17 the State of California, commencing with Section 53570 of said Code, the Board of
18 Supervisors hereby authorizes the issuance and sale of not to exceed \$50,500,000 principal
19 amount of bonds to be designated as "City and County of San Francisco Refunding
20 Settlement Obligation Bonds, Series 2003-R1" for the purpose of reducing the amount of debt
21 service payments on the Prior Bonds by refunding and setting aside funds to retire all or a
22 portion of the Prior Bonds and to pay the cost of issuance of the Bonds. The Director of
23 Public Finance of the City, or her designee (collectively, the “Director of Public Finance”), is
24 hereby authorized to determine the sale date, the interest payment dates and the redemption
25 provisions of the Bonds, subject to the following terms and conditions: (i) the Bonds shall not

1 have a true interest cost in excess of 12% (as such term is defined in the Official Notice of
2 Sale); and (ii) the Bonds shall not have a final maturity date after March 15, 2011. The
3 Director of Public Finance is further authorized to assign the Bonds such additional or other
4 series designation as may be necessary or appropriate to distinguish such series from other
5 bonds issued by the City.

6 Section 3. Annual Appropriation. For the purpose of paying the principal of and
7 interest on the Bonds, the Board of Supervisors of the City shall take such actions annually as
8 are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to
9 be included in the budget for such fiscal year and to make the necessary appropriations
10 therefor from any legally available funds, including the General Fund, to ensure that sufficient
11 sums are available to pay the annual principal of and interest on the Bonds as the same
12 become due. The obligations of the City under the Bonds, including the obligation to make all
13 payments of interest and principal when due, are obligations of the City imposed by law and
14 are absolute and unconditional. The Bonds do not constitute an obligation of the City for
15 which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the
16 obligation of the City to make payments on the Bonds constitute an indebtedness of the City,
17 the State of California, or any of its political subdivisions within the meaning of any
18 constitutional or statutory debt limitations or restrictions.

19 Section 4. Payment of Costs of Issuance. The Board of Supervisors hereby
20 authorizes the expenditure of a portion of the proceeds of the Bonds for the payment of
21 certain costs of issuance incurred in connection with the issuance and sale of the Bonds.

22 Section 5. Execution, Authentication and Registration of the Bonds. The Bonds shall
23 be signed by the Mayor of the City and the City Treasurer, and countersigned by the Clerk of
24 the Board of Supervisors whose signature shall be countersigned by a Deputy Clerk of the
25 Board of Supervisors pursuant to Section 2.40 of the San Francisco Administrative Code.

1 Except for the countersignature of a Deputy Clerk of the Board of Supervisors, which shall be
2 a manual signature, all signatures hereinbefore referred to may be facsimile or manual. The
3 Clerk of the Board of Supervisors shall cause the official seal of the Board of Supervisors to
4 be impressed or printed on each of the specimen Bonds, the City Treasurer shall authenticate
5 the Bonds, and when so executed and authenticated, the Clerk of the Board of the Board of
6 Supervisors shall deliver the Bonds in sufficient quantity to or for the account of the purchaser
7 in exchange for the purchase price thereof.

8 If any officer whose signature or countersignature appears on the specimen Bonds
9 shall cease to be an officer before the delivery of such Bonds to the purchaser, such signature
10 or countersignature shall nevertheless be valid and sufficient for all purposes as if such officer
11 had remained in office until the delivery of the Bonds.

12 The Bonds and the City Treasurer's certificate of authentication and registration and
13 the form of assignment to appear thereon shall be substantially in the form attached hereto as
14 Exhibit A (which is hereby declared to be a part of this Resolution as if fully set forth herein)
15 with necessary or appropriate variations, omissions and insertions as permitted or required by
16 this Resolution (provided that if a portion of the text of the Bonds is printed on the reverse of
17 the Bonds, the following legend shall be printed on the face of the Bonds: "THE
18 PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH
19 CONTINUED PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS
20 THOUGH FULLY SET FORTH HERE.")

21 Only such of the Bonds as shall bear thereon a certificate of authentication and
22 registration in the form herein recited, executed by the City Treasurer, shall be valid or
23 obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of
24 the City Treasurer shall be conclusive evidence that the Bonds so authenticated have been
25 duly authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

1 The City Treasurer shall assign a distinctive letter, or number, or letter and number to
2 each Bond authenticated and registered by him or her and shall maintain a record thereof
3 which shall be available for inspection.

4 Section 6. Registration Books. Except to the extent modified in connection with the
5 policies and procedures of any depository pursuant to Section 11 hereof, the City Treasurer
6 shall keep or cause to be kept, at the office of the City Treasurer, sufficient books for the
7 registration and transfer of the Bonds, which shall at all times be open to inspection, and upon
8 presentation for such purpose, the City Treasurer shall, under such reasonable regulations as
9 he or she may prescribe, register or transfer or cause to be registered or transferred, on said
10 books, Bonds as herein provided.

11 Section 7. Transfer or Exchange of Bonds. Except to the extent modified in
12 connection with the policies and procedures of any depository pursuant to Section 11 hereof,
13 any Bond may, in accordance with its terms, be transferred upon the books required to be
14 kept pursuant to the provisions of Section 6 hereof, by the person in whose name it is
15 registered, in person or by the duly authorized attorney of such person in writing, upon
16 surrender of such Bond for cancellation, accompanied by delivery of a duly executed written
17 instrument of transfer in a form approved by the City Treasurer.

18 Any Bonds may be exchanged at the office of the City Treasurer for a like aggregate
19 principal amount of other authorized denominations of the same interest rate and maturity.

20 Whenever any Bond shall be surrendered for transfer or exchange, the designated City
21 officials shall execute (as provided in Section 5 hereof) and the City Treasurer shall
22 authenticate and deliver a new Bond or Bonds of the same interest rate and maturity in a like
23 aggregate principal amount. The City Treasurer shall require the payment by any bond owner
24 requesting any such transfer of any tax or other governmental charge required to be paid with
25 respect to such transfer or exchange.

1 No transfer or exchange of Bonds shall be required to be made by the City Treasurer
2 during the period from the Record Date (as defined herein) next preceding each interest
3 payment date to such interest payment date or after a notice of redemption shall have been
4 mailed with respect to such Bond.

5 Section 8. Form of the Bonds; Terms of the Bonds; General Redemption Provisions.

6 Except to the extent modified in connection with the policies and procedures of any depository
7 appointed pursuant to Section 11 hereof, the Bonds shall each be dated the date of delivery
8 or such other date (the "Dated Date") as specified in the award of the Bonds pursuant to
9 Section 13 hereof and shall be substantially in the form set forth as Exhibit A hereto. The
10 Bonds shall bear interest from the date thereof until paid at rates not to exceed twelve percent
11 (12%) per annum (the exact rates to be determined upon sale of the Bonds) calculated on the
12 basis of a 360-day year comprised of twelve 30-day months, payable on March 15, 2004 (or
13 such other date as shall be designated in a certificate of the Director of Public Finance), and
14 semiannually thereafter on September 15 and March 15 of each year (or such other dates as
15 may be designated in a certificate of the Director of Public Finance). The Bonds shall be in
16 fully registered form without coupons in denominations of \$5,000 or any integral multiple
17 thereof and shall either mature or be subject to mandatory redemption (as herein provided) on
18 March 15 (or such other date as may be designated in a certificate of the Director of Public
19 Finance) of the years, and in the amounts, as set forth in the Official Statement (as defined
20 herein) relating to the Bonds.

21 The principal of the Bonds shall be payable in lawful money of the United States of
22 America to the owner thereof, upon the surrender thereof at maturity or earlier redemption at
23 the office of the City Treasurer. The interest on the Bonds shall be payable in like lawful
24 money to the person whose name appears on the bond registration books of the City
25 Treasurer as the owner thereof as of the close of business on the last day of the month

1 immediately preceding an interest payment date (the "Record Date"), whether or not such day
2 is a Business Day (as herein defined).

3 Each Bond shall bear interest from the interest payment date next preceding the date
4 of authentication thereof unless it is authenticated as of a day during the period from the
5 Record Date next preceding any interest payment date to the interest payment date, inclusive,
6 in which event it shall bear interest from such interest payment date, or unless it is
7 authenticated on or before March 1, 2004 (or such other date as may be designated in a
8 certificate of the Director of Public Finance), in which event it shall bear interest from the
9 Dated Date; provided, however, that if, at the time of authentication of any Bond, interest is in
10 default on the Bonds, such Bond shall bear interest from the interest payment date to which
11 interest has previously been paid or made available for payment on the Bonds or from the
12 Dated Date if the first interest payment is not made. Payment of the interest on any Bond
13 shall be paid by check mailed to such owner at such owner's address as it appears on the
14 registration books as of the Record Date; provided, however, if any interest payment date is a
15 day that banks in California and New York are closed for business, then such payment shall
16 be made on the next succeeding day that banks in both California and New York are open for
17 business and the New York Stock Exchange is open for business (a "Business Day"); and
18 provided, further, that the registered owner of an aggregate principal amount of at least
19 \$1,000,000 of the Bonds may submit a written request to the City Treasurer on or before a
20 Record Date preceding an interest payment date for payment of interest by wire transfer to a
21 commercial bank located within the continental United States. For so long as Cede & Co. or
22 its registered assigns is the registered owner of all of the Bonds, payment shall be made by
23 wire transfer of immediately available funds to Cede & Co.

24 The Bonds maturing on or before March 15, 2008 (or such other date as shall be
25 designated in a certificate of the Director of Public Finance) shall not be subject to optional

1 redemption prior to maturity. The Bonds maturing on or after March 15, 2009 (or such other
2 date as shall be designated in a certificate of the Director of Public Finance) may be subject to
3 optional redemption prior to their respective stated maturities, at the option of the City, from
4 any source of available funds, as a whole or in part on any date (with the maturities to be
5 redeemed to be determined by the City and by lot within a maturity) on or after March 15,
6 2008 (or such other date as shall be designated in a certificate of the Director of Public
7 Finance), at redemption prices equal to a percentage of the principal amount redeemed in the
8 first year the Bonds are subject to optional redemption (with such redemption price declining
9 to 100% at the rate of 1% annually), as designated in a certificate of the Director of Public
10 Finance, together with accrued interest to the date of redemption.

11 The Bonds shall be subject to mandatory redemption at par, by lot, in any year for
12 which the successful bidder therefor has designated that the principal amount payable with
13 respect to that year shall constitute a mandatory sinking fund payment as permitted by the
14 Official Notice of Sale (as more fully described in Section 13 hereof). Any Bonds subject to
15 mandatory redemption shall be designated in the successful bid that shall be awarded by the
16 Controller of the City (the "Controller") prior to the delivery of the Bonds. The principal and
17 interest on Bonds subject to mandatory redemption shall be paid from the Bond Account
18 pursuant to Section 9 hereof. In lieu of any such mandatory redemption, at any time prior to
19 the selection of the Bonds for redemption, the City may apply such amounts on deposit in the
20 Bond Account (as defined in Section 9 hereof) to make such payment to the purchase of
21 Bonds subject to such redemption at public or private sale, as and when and at such prices
22 not in excess of the principal amount thereof (including brokerage and other charges but
23 excluding accrued interest), as the City may determine.

24 The date on which the Bonds which are called for redemption are to be presented for
25 redemption is herein sometimes called the "redemption date." Notice of any redemption of

1 Bonds shall be mailed, postage prepaid, to the respective registered owners thereof at the
2 addresses appearing on the bond registration books not less than thirty (30) nor more than
3 sixty (60) days prior to the redemption date. The notice of redemption shall (a) state the
4 redemption date; (b) state the redemption price; (c) state the dates of maturity of the Bonds
5 and, if less than all of any such maturity is called for redemption, the distinctive numbers of
6 the Bonds of such maturity to be redeemed, and in the case of Bonds redeemed in part only,
7 the respective portions of the principal amount thereof, to be redeemed; (d) state the CUSIP
8 number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by
9 the owners at the office of the City Treasurer or his or her agent; and (f) give notice that
10 interest on such Bonds will cease to accrue after the designated redemption date.

11 The actual receipt by the owner of any Bond of notice of such redemption shall not be a
12 condition precedent to redemption, and failure to receive such notice, or any defect in such
13 notice shall not affect the validity of the proceedings for the redemption of such Bonds or the
14 cessation of accrual of interest on the redemption date.

15 Notice of such redemption also shall be given, or caused to be given, by the City
16 Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile
17 transmission or (iii) overnight delivery service, to (a) all organizations registered with the
18 Securities and Exchange Commission as securities depositories and (b) such other services
19 or organizations as may be required in accordance with the Continuing Disclosure Certificate
20 described in Section 18 hereof.

21 The notice or notices required for redemption shall be given by the City Treasurer, or
22 any agent appointed by the City. A certificate of the City Treasurer or such other appointed
23 agent of the City that notice of redemption has been given to the owner of any Bond in
24 accordance with this Resolution shall be conclusive against all parties.

25 ///

1 At the time the City Treasurer or Controller determines to optionally call and redeem
2 any of the Bonds, the City Treasurer or his or her agent shall establish a redemption account
3 to be described or known as the "Settlement Obligation Bonds, Series 2003-R1 Redemption
4 Account" (the "Redemption Account") and prior to or on the redemption date there must be set
5 aside in said Redemption Account moneys available for the purpose and sufficient to redeem
6 as provided in this Resolution, the Bonds designated in said notice of redemption. Said
7 moneys must be set aside in the Redemption Account solely for the purpose and shall be
8 applied on or after the redemption date to payment for the Bonds to be redeemed upon
9 presentation and surrender of such Bonds. Any interest due on or prior to the redemption
10 date shall be paid from the Bond Account as provided in Section 9 hereof or from the
11 Redemption Account. Moneys held from time to time in the Redemption Account shall be
12 invested by the City Treasurer pursuant to the City's policies and guidelines for investment of
13 General Fund moneys or pursuant to any resolution authorizing the issuance of refunding
14 bonds or escrow agreement relating thereto. If, after all of the Bonds have been redeemed
15 and canceled or paid and canceled, there are moneys remaining in said Redemption Account,
16 said moneys shall be transferred to the General Fund of the City provided, however, that if
17 said moneys are part of the proceeds of refunding bonds, said moneys shall be transferred
18 pursuant to the resolution authorizing such refunding bonds.

19 When notice of optional redemption has been given, substantially as provided herein,
20 and when the amount necessary for the redemption of the Bonds called for redemption
21 (principal and premium, if any) is set aside for that purpose in said Redemption Account, as
22 provided herein, the Bonds designated for redemption shall become due and payable on the
23 date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the
24 place specified in the notice of redemption, such Bonds shall be redeemed and paid at said
25 redemption price out of said Redemption Account, no interest will accrue on such Bonds

1 called for redemption after the redemption date and the registered owners of such Bonds shall
2 look for payment of such Bonds only to said Redemption Account. All Bonds redeemed shall
3 be canceled forthwith by the City Treasurer and shall not be reissued.

4 The City shall have the right to rescind any optional redemption for any reason on any
5 date prior to the date fixed for redemption by causing written notice of the rescission to be
6 given to the owners of all Bonds previously called for redemption prior to the redemption date.
7 Any notice of optional redemption shall be canceled and annulled if for any reason funds are
8 not available on the date fixed for redemption of the payment in full of the Bonds then called
9 for redemption. Notice of rescission of redemption, whether resulting from the exercise of the
10 City's discretion or from the unavailability of sufficient funds, shall be given in the same
11 manner notice of redemption was originally provided. The actual receipt by the owner of any
12 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to
13 receive such notice or any defect in such notice shall not affect the validity of the rescission.

14 Section 9. Bond Account. Monies appropriated from the City's General Fund in
15 accordance with Section 3 of this Resolution shall be deposited in a special account to be
16 designated as the "Refunding Settlement Obligation Bonds, Series 2003-R1 Bond Account"
17 (the "Bond Account"). Such account shall be administered by the City Treasurer and kept
18 separate and apart from all other accounts. Pursuant to this Resolution, the City Treasurer
19 may establish such additional accounts and subaccounts within the Bond Account or with any
20 agent, including but not limited to any paying agent or fiscal agent, as may be necessary or
21 convenient in connection with the administration of the Bonds.

22 The City Treasurer shall also deposit in the Bond Account from the proceeds of sale of
23 the Bonds, any moneys received on account of interest accrued on the Bonds to the date of
24 payment of the purchase price thereof, and such other moneys, if any, as may be specified in
25 this Resolution or as may be directed by the Director of Public Finance.

1 (a) Interest. On or before March 15 and September 15 in each year that any Bond is
2 outstanding, commencing March 15, 2004 (or such other dates as shall be designated in a
3 certificate of the Director of Public Finance), the City Treasurer shall transfer from the General
4 Fund and set aside in the Bond Account an amount which, when added to the amount
5 contained in the Bond Account on that date, if any, will be equal to the aggregate amount of
6 the interest becoming due and payable on the Bonds outstanding on such interest payment
7 date.

8 (b) Principal. On or before March 15 in each year that any Bond is outstanding,
9 commencing March 15, 2004 (or such other dates as shall be designated in a certificate of the
10 Director of Public Finance), the City Treasurer shall transfer from the General Fund and set
11 aside in the Bond Account an amount which will be equal to the principal on the Bonds
12 outstanding that will become due and payable on such March 15, including those Bonds
13 subject to mandatory redemption on such date pursuant to this Resolution.

14 Unless other provisions shall have been made pursuant to this Resolution for the
15 payment of any Bond, all moneys in the Bond Account shall be used and withdrawn by the
16 City Treasurer solely for the purpose of paying the principal of, premium, if any, and interest
17 on the Bonds, or for the purchase of Bonds if permitted by this Resolution, as the same shall
18 become due and payable. When all of the principal of and interest on the Bonds have been
19 paid, any monies then remaining in said account shall be transferred to the General Fund of
20 the City.

21 On or prior to the date on which any payment of principal and interest on the Bonds is
22 due, including any Bonds subject to mandatory redemption on said date, the City Treasurer
23 shall allocate to and deposit in the Bond Account an amount which, when added to any
24 available moneys contained in the Bond Account, is sufficient to pay principal and interest on

25 ///

1 the Bonds on such date. All interest earned on amounts on deposit in the Payment Account
2 (as defined in Section 10 hereof) shall be deposited in the Bond Account.

3 On or prior to the date on which any Bonds are to be redeemed at the option of the
4 City, the City Treasurer may allocate to and deposit in the Redemption Account, from
5 amounts held in the Bond Account an amount which, when added to any available moneys
6 contained in the Bond Account, is sufficient to pay principal and interest and any premium on
7 the Bonds on such date. The City Treasurer may make such other provision for the payment
8 of principal and interest and any redemption premium on the Bonds as is necessary or
9 convenient to permit the optional redemption of the Bonds. Amounts held in the Bond Account
10 may be invested by the City Treasurer pursuant to the City's policies and guidelines for
11 investment of General Fund monies or pursuant to any resolution authorizing the issuance of
12 refunding bonds or escrow agreement relating thereto. The City Treasurer may commingle
13 any of the moneys held in the Bond Account into a separate fund or funds for investment
14 purposes only; *provided, however*, that all of the moneys held in the Bond Account hereunder
15 shall be accounted for separately notwithstanding any such commingling by the City
16 Treasurer.

17 Section 10. Payment Account. There is hereby established an account to be
18 designated as the "Refunding Settlement Obligation Bonds, Series 2003-R1 Payment
19 Account" (the "Payment Account"). The Payment Account shall be maintained by the City
20 Treasurer, as a separate account, segregated and distinct from all other accounts. The City
21 Treasurer may establish such accounts and subaccounts within the Payment Account as may
22 be necessary or convenient in connection with the administration of the Bonds.

23 A portion of the proceeds of the sale of the Bonds shall be deposited by the City
24 Treasurer to the credit of the Payment Account and shall be applied exclusively to pay the
25 cost of issuance of the Bonds as set forth in Section 4 hereof. Cost of issuance of the Bonds

1 shall include without limitation, bond and financial printing expenses, mailing and publication
2 expenses, rating agency fees, and the fees and expenses of paying agents, escrow agents,
3 registrars, financial consultants and bond counsel. When such objects and purposes have
4 been accomplished, any moneys remaining in such account shall be transferred to the Bond
5 Account established pursuant to Section 9 hereof and applied to the payment of the principal
6 of and interest on any Bond.

7 All interest earned on amounts on deposit in the Payment Account shall be deposited
8 in the Bond Account. Amounts held in the Payment Account may be invested by the City
9 Treasurer pursuant to the City's policies and guidelines for investment of General Fund
10 monies. The City Treasurer may commingle any of the moneys held in the Payment Account
11 into a separate fund or funds for investment purposes only; *provided, however*, that all of the
12 moneys held in the Payment Account hereunder shall be accounted for separately
13 notwithstanding any such commingling by the City Treasurer.

14 Section 11. Appointment of Depositories and Other Agents. The City Treasurer is
15 hereby authorized and directed to appoint one or more depositories as he or she may deem
16 desirable and the provisions of Sections 6, 7, 8 and 9 relating to payments and redemption
17 notices to owners of the Bonds may be modified to comply with the policies and procedures of
18 such depository. The City will not have any responsibility or obligation to any purchaser of a
19 beneficial ownership interest in any Bonds or to any participants in such a depository with
20 respect to (i) the accuracy of any records maintained by such securities depository or any
21 participant therein; (ii) any notice that is permitted or required to be given to the owners of the
22 Bonds under this Resolution; (iii) the selection by such securities depository or any participant
23 therein of any person to receive payment in the event of a partial redemption of the Bonds;
24 (iv) the payment by such securities depository or any participant therein of any amount with
25 respect to the principal or redemption premium, if any, or interest due with respect to the

1 Bonds; (v) any consent given or other action taken by such securities depository as the owner
2 of the Bonds; or (vi) any other matter.

3 The City Treasurer is hereby also authorized and directed to appoint one or more
4 agents as he or she may deem necessary or desirable. To the extent permitted by applicable
5 law and under the supervision of the City Treasurer, such agents may serve as paying agent,
6 fiscal agent, or registrar for the Bonds or may assist the City Treasurer in performing any or all
7 of such functions and such other duties as the City Treasurer shall determine. Such agents
8 shall serve under such terms and conditions as the City Treasurer shall determine. The City
9 Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

10 Section 12. Defeasance Provisions. Payment of all or any portion of the Bonds may
11 be provided for prior to maturity by irrevocably depositing with the City Treasurer (or any
12 commercial bank or trust company designated by the City Treasurer to act as escrow agent
13 with respect thereto):

14 (a) An amount of cash equal to the principal amount of such Bonds or portion
15 thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds
16 which are to be redeemed prior to maturity and in respect of which notice of such
17 redemption shall have been given as provided in Section 8 hereof or an irrevocable
18 election to give such notice shall have been made by the City, the amount to be
19 deposited shall be the principal amount thereof, all unpaid interest thereon to the
20 redemption date, and any premium due on such redemption date; or

21 (b) Defeasance Securities (as herein defined) not subject to call, maturing
22 and paying interest at such times and in such amounts, together with cash, if required,
23 as will, without reinvestment, as certified by an independent certified public accountant,
24 be fully sufficient to pay the principal and all unpaid interest to maturity, or to the
25 redemption date, as the case may be, and any premium due, on the Bonds to be paid

1 or redeemed, as such principal and interest come due; provided, that, in the case of the
2 Bonds which are to be redeemed prior to maturity, notice of such redemption shall be
3 given as provided in Section 8 hereof or an irrevocable election to give such notice
4 shall have been made by the City;

5 then, all obligations of the City with respect to said outstanding Bonds shall cease and
6 terminate, except only the obligation of the City to pay or cause to be paid from the funds
7 deposited pursuant to paragraphs (a) or (b) of this Section 12, to the owners of said Bonds all
8 sums due with respect thereto; provided that the City shall have received an opinion of
9 nationally recognized bond counsel, that provision for the payment of said Bonds has been
10 made in accordance with this Section 12.

11 For purpose of this Section 12, "Defeasance Securities" shall mean any of the following
12 which at the time are legal investments under the laws of the State of California for the
13 moneys proposed to be invested therein:

14 (1) United States Obligations (as herein defined); and

15 (2) Pre-refunded fixed interest rate municipal obligations meeting the
16 following conditions: (a) the municipal obligations are not subject to redemption prior to
17 maturity, or the trustee has been given irrevocable instructions concerning their calling
18 and redemption and the issuer has covenanted not to redeem such obligations other
19 than as set forth in such instructions; (b) the municipal obligations are secured by cash
20 and/or United States Obligations; (c) the principal of and interest on the United States
21 Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the
22 municipal obligations; (d) the United States Obligations serving as security for the
23 municipal obligations are held by an escrow agent or trustee; (e) the United States
24 Obligations are not available to satisfy any other claims, including those against the

25 ///

1 trustee or escrow agent; and (f) the municipal obligations are rated "AAA" by S&P and
2 "Aaa" by Moody's.

3 For purposes of this Section 12, "United States Obligations" shall mean (i) direct and
4 general obligations of the United States of America, or obligations that are unconditionally
5 guaranteed as to principal and interest by the United States of America, including without
6 limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds
7 which have been stripped by request to the Federal Reserve Bank of New York in book-entry
8 form or (ii) any security issued by any agency or instrumentality of the United States of
9 America which is selected by the Director of Public Finance that results in the escrow fund
10 being rated "AAA" by Standard & Poor's and "Aaa" by Moody's.

11 Section 13. Official Notice of Sale. The form of proposed Official Notice of Sale
12 inviting bids for the Bonds (a copy of which is on file with the Clerk of the Board of Supervisors
13 in File No. _____ and which is hereby declared to be a part of this Resolution as if
14 fully set forth herein), is hereby approved and adopted as the Official Notice of Sale inviting
15 bids for the Bonds with such additions, corrections and revisions as may be determined to be
16 necessary or desirable and made in accordance with Section 20 hereof.

17 The Director of Public Finance is hereby authorized and directed to determine a date
18 for the sale of the Bonds. The Controller is hereby authorized to award the Bonds to the
19 bidder whose bid represents the lowest true interest cost to the City, all in accordance with the
20 procedures described in the Notice of Sale. Proposals shall be received by the Director of
21 Public Finance on the sale date designated by the Director of Public Finance. The Director of
22 Public Finance is hereby authorized and directed to cause to be mailed to prospective bidders
23 for the Bonds copies of said Official Notice of Sale, subject to such corrections, revisions or
24 additions as may be acceptable to the Director of Public Finance.

25 ///

1 The Director of Public Finance may provide, concurrently with the issuance and
2 delivery of the Bonds to the purchaser or purchasers thereof, a certificate setting forth the
3 definitive terms of the Bonds pursuant to Section 8 hereof and as to the disposition of any
4 proceeds of the Bonds, including any premium thereon.

5 Section 14. Publication of Notice of Intention to Sell Bonds. The form of proposed
6 Notice of Intention to Sell Bonds (a copy of which is on file with the Clerk of the Board of
7 Supervisors in File No. _____ and which is hereby declared to be a part of this
8 Resolution as if fully set forth herein), is hereby approved and adopted as the Notice of
9 Intention to Sell Bonds, and the Clerk of the Board of Supervisors is hereby authorized and
10 directed to cause said Notice of Intention to Sell Bonds, subject to such corrections, revisions
11 or additions as may be made in accordance with Section 20 hereof, to be published once at
12 least fifteen (15) days before the date of sale in The Bond Buyer, or a financial publication
13 generally circulated throughout the State of California.

14 Section 15. Solicitation of Competitive Bids. This Board of Supervisors hereby
15 authorizes the solicitation of competitive bids for the purchase of the Bonds on the date and at
16 the place determined in accordance with the Official Notice of Sale herein referenced.

17 Section 16. Official Statement. The form of proposed Official Statement describing the
18 Bonds (the "Official Statement") (a copy of which is on file with the Clerk of the Board of
19 Supervisors in File No. _____ and which is hereby declared to be a part of this
20 Resolution as if fully set forth herein) submitted to the Board of Supervisors is hereby
21 approved and adopted as the Official Statement describing the Bonds, with such additions,
22 corrections and revisions as may be determined to be necessary or desirable and made in
23 accordance with Section 20 hereof. The Controller is hereby authorized to cause the
24 distribution of a Preliminary Official Statement deemed final for purposes of Rule 15c2-12 of
25 the Securities Exchange Act of 1934, as amended, and to sign a certificate to that effect. The

1 Controller is further hereby authorized and directed to sign the final Official Statement. The
2 Director of Public Finance is hereby authorized and directed to cause to be printed and mailed
3 to prospective bidders for the Bonds copies of the Official Statement in substantially the form
4 of the Preliminary Official Statement approved and adopted hereby, as supplemented,
5 corrected or revised.

6 Section 17. Tax Covenant.

7 (a) The City hereby covenants that the City will not make any use of the proceeds of
8 the Bonds or any other funds of the City which would cause the Bonds to be: (i) "arbitrage
9 bonds," the interest on which will be subject to inclusion in gross income for purposes of
10 federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as
11 amended (herein called the "Code"); (ii) "private activity bonds," the interest on which will be
12 subject to inclusion in gross income for purposes of federal income taxation by reason of
13 Section 141(a) of the Code; or, (iii) obligations the interest on which will be subject to inclusion
14 in gross income for purposes of federal income taxation because they are "federally
15 guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect
16 to the proceeds of the Bonds, will comply with all requirements of such sections of the Code
17 and all regulations of the United States Department of Treasury issued thereunder to the
18 extent that such requirements are, at the time, applicable and in effect, and will comply with
19 the provisions of the Certificate as to Arbitrage and the Certificate Regarding the Use of
20 Proceeds to be executed by the City, dated the delivery date of the Bonds, as originally
21 executed and as they may be amended from time to time (herein called collectively, the "Tax
22 Certificate").

23 (b) In furtherance of the covenants of the City set forth above, this Board of
24 Supervisors will cause the Controller and the City Treasurer and all other appropriate City
25 ///

1 officials to comply with the Tax Certificate. These covenants shall survive payment in full or
2 defeasance of the Bonds.

3 Section 18. Continuing Disclosure Certificate. The form of Continuing Disclosure
4 Certificate issued by the City to permit the original purchasers of the Bonds to comply with
5 Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities
6 Exchange Act of 1934, as amended (a copy of which is on file with the Clerk of the Board of
7 Supervisors in File No. _____ and which is hereby declared to be a part of this
8 Resolution as if fully set forth herein) submitted to the Board of Supervisors is hereby
9 approved and adopted as the Continuing Disclosure Certificate, with such additions,
10 corrections and revisions as may be determined to be necessary or desirable made in
11 accordance with Section 20 hereof. The Controller is hereby authorized and directed to enter
12 into the Continuing Disclosure Certificate on behalf of the City.

13 Section 19. Refunding Instructions. The form of the Refunding Instructions given by
14 the City to the City Treasurer (the "Refunding Instructions"), as presented to this Board of
15 Supervisors (a copy of which is on file with the Clerk of the Board of Supervisors in File No.
16 _____ and which is hereby declared to be part of this Resolution as if fully set forth
17 herein) submitted to the Board of Supervisors is hereby approved. A portion of the proceeds
18 of the sale of the Bonds, excluding any premium and accrued interest received thereon, shall
19 be deposited within an account established pursuant to the Refunding Instructions and shall
20 be applied to the redemption of the Prior Bonds in accordance with the provisions of the Sale
21 Resolution. The Mayor is hereby authorized to execute the Refunding Instructions with such
22 additions, corrections and revisions as may be determined to be necessary or desirable made
23 in accordance with Section 20 hereof.

24 Section 20. Modification to Documents. Any City official authorized by this Resolution
25 to execute any document is hereby further authorized, in consultation with the City Attorney,

1 to approve and make such changes, additions, amendments or modifications to the document
2 or documents such official is authorized to execute as may be necessary or advisable
3 (provided that such changes, additions, amendments or modifications shall not authorize an
4 aggregate principal amount of Bonds in excess of \$50,500,000 or conflict with the provisions
5 of Section 2 hereof). The approval of any change, addition, amendment or modification to any
6 of the aforementioned documents shall be evidenced conclusively by the execution and
7 delivery of the document in question.

8 Section 21. Ratification. All actions heretofore taken by officials, employees and
9 agents of the City with respect to the sale and issuance of the Bonds are hereby approved,
10 confirmed and ratified.

11 Section 22. Other Terms and Provisions Relating To the Bonds. The City, through the
12 Director of Public Finance, in connection with the sale and issuance of the Bonds may
13 (i) purchase bond insurance or other credit enhancement relating to the Bonds and may agree
14 to such additional terms and procedures as may be necessary to provide for the application of
15 such bond insurance or other credit enhancement for the benefit of the bondholders; and
16 (ii) enter into agreements for the investment of moneys held in any fund or account relating to
17 the Bonds in specific categories or types of investments, so long as such investments are
18 legal investments for the City and in compliance with any policy or guideline of the City
19 applicable thereto.

20 Section 23. Supplemental Resolutions. For any one or more of the following purposes
21 and at any time or from time to time, a supplemental resolution of the City may be adopted,
22 which, without the requirement of consent of the owners of the Bonds, shall be fully effective
23 in accordance with its terms:

24 ///

25 ///

1 (a) To add to the covenants and agreements of the City in this Resolution or other
2 covenants and agreements to be observed by the City which are not contrary to or
3 inconsistent with this Resolution;

4 (b) To add to the limitations and restrictions in this Resolution or other limitations and
5 restrictions to be observed by the City which are not contrary to or inconsistent with this
6 Resolution;

7 (c) To confirm, as further assurance, any pledge under, and the subjection to any lien
8 or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or
9 to establish any additional funds or accounts to be held under this Resolution;

10 (d) To cure any ambiguity, supply any omission, or cure or correct any defect or
11 inconsistent provision in this Resolution; or

12 (e) To make such additions, deletions or modifications as may be necessary to assure
13 compliance with applicable provisions of law.

14 Any modification or amendment of this Resolution and of the rights and obligations of
15 the City and of the owners of the Bonds, in any particular, may be made by a supplemental
16 resolution, with the written consent of the owners of at least a majority in aggregate principal
17 amount of the Bonds outstanding at the time such consent is given. No such modification or
18 amendment shall permit a change in the terms or maturity of the principal of any outstanding
19 Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in
20 the rate of interest thereon, or shall reduce the percentage of Bonds the consent of the
21 owners of which is required to effect any such modification or amendment, or shall reduce the
22 amount of moneys for the repayment of the Bonds without the consent of all the owners of
23 such Bonds.

24 Section 24. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
25 City Treasurer, the Director of Public Finance, the City Attorney, the Controller, and their

1 respective designees, are each hereby authorized and directed in the name and on behalf of
2 the City to take any and all steps and to issue and deliver any and all certificates, requisitions,
3 agreements, notices, consents, and other documents, including but not limited to letters of
4 representations to any depository or depositories which they or any of them might deem
5 necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the
6 Bonds.

7

8 APPROVED AS TO FORM:

9 DENNIS J. HERRERA
10 CITY ATTORNEY

11

12 BY: _____

13 Theresa Alvarez Hackett
14 Deputy City Attorney

14

15

16

17

18

19

20

21

22

23

24

25