

AMENDMENT OF THE WHOLE
10/1/03

FILE NO. 031498

RESOLUTION NO.

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~~45,000,000 City**
4 **and 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,

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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~~ \$45,000,000, for the
5 purposes set forth above and on the conditions set forth in this Resolution of the Board of
6 Supervisors (this “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~~ \$45,000,000
19 principal 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. Furthermore, the Director of Public Finance is hereby authorized to
6 determine the final terms, amounts, maturities, interest rates and other provisions of the Bonds subject
7 to the provisions set forth herein; provided that the issuance of the Bonds would result in net debt
8 service savings to the City on a present value basis of at least 2.75 percent, calculated in accordance
9 with Section 43.6.6 of the City's Administrative Code.

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

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

1 Section 5. Execution, Authentication and Registration of the Bonds. The Bonds shall
2 be signed by the Mayor of the City and the City Treasurer, and countersigned by the Clerk of
3 the Board of Supervisors whose signature shall be countersigned by a Deputy Clerk of the
4 Board of Supervisors pursuant to Section 2.40 of the San Francisco Administrative Code.
5 Except for the countersignature of a Deputy Clerk of the Board of Supervisors, which shall be
6 a manual signature, all signatures hereinbefore referred to may be facsimile or manual. The
7 Clerk of the Board of Supervisors shall cause the official seal of the Board of Supervisors to
8 be impressed or printed on each of the specimen Bonds, the City Treasurer shall authenticate
9 the Bonds, and when so executed and authenticated, the Clerk of the Board of the Board of
10 Supervisors shall deliver the Bonds in sufficient quantity to or for the account of the purchaser
11 in exchange for the purchase price thereof.

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

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

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

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

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

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

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

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

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

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

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

3 The principal of the Bonds shall be payable in lawful money of the United States of
4 America to the owner thereof, upon the surrender thereof at maturity or earlier redemption at
5 the office of the City Treasurer. The interest on the Bonds shall be payable in like lawful
6 money to the person whose name appears on the bond registration books of the City
7 Treasurer as the owner thereof as of the close of business on the last day of the month
8 immediately preceding an interest payment date (the "Record Date"), whether or not such day
9 is a Business Day (as herein defined).

10 Each Bond shall bear interest from the interest payment date next preceding the date
11 of authentication thereof unless it is authenticated as of a day during the period from the
12 Record Date next preceding any interest payment date to the interest payment date, inclusive,
13 in which event it shall bear interest from such interest payment date, or unless it is
14 authenticated on or before March 1, 2004 (or such other date as may be designated in a
15 certificate of the Director of Public Finance), in which event it shall bear interest from the
16 Dated Date; provided, however, that if, at the time of authentication of any Bond, interest is in
17 default on the Bonds, such Bond shall bear interest from the interest payment date to which
18 interest has previously been paid or made available for payment on the Bonds or from the
19 Dated Date if the first interest payment is not made. Payment of the interest on any Bond
20 shall be paid by check mailed to such owner at such owner's address as it appears on the
21 registration books as of the Record Date; provided, however, if any interest payment date is a
22 day that banks in California and New York are closed for business, then such payment shall
23 be made on the next succeeding day that banks in both California and New York are open for
24 business and the New York Stock Exchange is open for business (a "Business Day"); and
25 provided, further, that the registered owner of an aggregate principal amount of at least

1 \$1,000,000 of the Bonds may submit a written request to the City Treasurer on or before a
2 Record Date preceding an interest payment date for payment of interest by wire transfer to a
3 commercial bank located within the continental United States. For so long as Cede & Co. or
4 its registered assigns is the registered owner of all of the Bonds, payment shall be made by
5 wire transfer of immediately available funds to Cede & Co.

6 The Bonds maturing on or before March 15, 2008 (or such other date as shall be
7 designated in a certificate of the Director of Public Finance) shall not be subject to optional
8 redemption prior to maturity. The Bonds maturing on or after March 15, 2009 (or such other
9 date as shall be designated in a certificate of the Director of Public Finance) may be subject to
10 optional redemption prior to their respective stated maturities, at the option of the City, from
11 any source of available funds, as a whole or in part on any date (with the maturities to be
12 redeemed to be determined by the City and by lot within a maturity) on or after March 15,
13 2008 (or such other date as shall be designated in a certificate of the Director of Public
14 Finance), at redemption prices equal to a percentage of the principal amount redeemed in the
15 first year the Bonds are subject to optional redemption (with such redemption price declining
16 to 100% at the rate of 1% annually), as designated in a certificate of the Director of Public
17 Finance, together with accrued interest to the date of redemption.

18 The Bonds shall be subject to mandatory redemption at par, by lot, in any year for
19 which the successful bidder therefor has designated that the principal amount payable with
20 respect to that year shall constitute a mandatory sinking fund payment as permitted by the
21 Official Notice of Sale (as more fully described in Section 13 hereof). Any Bonds subject to
22 mandatory redemption shall be designated in the successful bid that shall be awarded by the
23 Controller of the City (the "Controller") prior to the delivery of the Bonds. The principal and
24 interest on Bonds subject to mandatory redemption shall be paid from the Bond Account
25 pursuant to Section 9 hereof. In lieu of any such mandatory redemption, at any time prior to

1 the selection of the Bonds for redemption, the City may apply such amounts on deposit in the
2 Bond Account (as defined in Section 9 hereof) to make such payment to the purchase of
3 Bonds subject to such redemption at public or private sale, as and when and at such prices
4 not in excess of the principal amount thereof (including brokerage and other charges but
5 excluding accrued interest), as the City may determine.

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

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

22 Notice of such redemption also shall be given, or caused to be given, by the City
23 Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile
24 transmission or (iii) overnight delivery service, to (a) all organizations registered with the
25 Securities and Exchange Commission as securities depositories and (b) such other services

1 or organizations as may be required in accordance with the Continuing Disclosure Certificate
2 described in Section 18 hereof.

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

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

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1 When notice of optional redemption has been given, substantially as provided herein,
2 and when the amount necessary for the redemption of the Bonds called for redemption
3 (principal and premium, if any) is set aside for that purpose in said Redemption Account, as
4 provided herein, the Bonds designated for redemption shall become due and payable on the
5 date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the
6 place specified in the notice of redemption, such Bonds shall be redeemed and paid at said
7 redemption price out of said Redemption Account, no interest will accrue on such Bonds
8 called for redemption after the redemption date and the registered owners of such Bonds shall
9 look for payment of such Bonds only to said Redemption Account. All Bonds redeemed shall
10 be canceled forthwith by the City Treasurer and shall not be reissued.

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

21 Section 9. Bond Account. Monies appropriated from the City's General Fund in
22 accordance with Section 3 of this Resolution shall be deposited in a special account to be
23 designated as the "Refunding Settlement Obligation Bonds, Series 2003-R1 Bond Account"
24 (the "Bond Account"). Such account shall be administered by the City Treasurer and kept
25 separate and apart from all other accounts. Pursuant to this Resolution, the City Treasurer

1 may establish such additional accounts and subaccounts within the Bond Account or with any
2 agent, including but not limited to any paying agent or fiscal agent, as may be necessary or
3 convenient in connection with the administration of the Bonds.

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

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

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

21 Unless other provisions shall have been made pursuant to this Resolution for the
22 payment of any Bond, all moneys in the Bond Account shall be used and withdrawn by the
23 City Treasurer solely for the purpose of paying the principal of, premium, if any, and interest
24 on the Bonds, or for the purchase of Bonds if permitted by this Resolution, as the same shall
25 become due and payable. When all of the principal of and interest on the Bonds have been

1 paid, any monies then remaining in said account shall be transferred to the General Fund of
2 the City.

3 On or prior to the date on which any payment of principal and interest on the Bonds is
4 due, including any Bonds subject to mandatory redemption on said date, the City Treasurer
5 shall allocate to and deposit in the Bond Account an amount which, when added to any
6 available moneys contained in the Bond Account, is sufficient to pay principal and interest on
7 the Bonds on such date. All interest earned on amounts on deposit in the Payment Account
8 (as defined in Section 10 hereof) shall be deposited in the Bond Account.

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

23 Section 10. Payment Account. There is hereby established an account to be
24 designated as the "Refunding Settlement Obligation Bonds, Series 2003-R1 Payment
25 Account" (the "Payment Account"). The Payment Account shall be maintained by the City

1 Treasurer, as a separate account, segregated and distinct from all other accounts. The City
2 Treasurer may establish such accounts and subaccounts within the Payment Account as may
3 be necessary or convenient in connection with the administration of the Bonds.

4 A portion of the proceeds of the sale of the Bonds shall be deposited by the City
5 Treasurer to the credit of the Payment Account and shall be applied exclusively to pay the
6 cost of issuance of the Bonds as set forth in Section 4 hereof. Cost of issuance of the Bonds
7 shall include without limitation, bond and financial printing expenses, mailing and publication
8 expenses, rating agency fees, and the fees and expenses of paying agents, escrow agents,
9 registrars, financial consultants and bond counsel. When such objects and purposes have
10 been accomplished, any moneys remaining in such account shall be transferred to the Bond
11 Account established pursuant to Section 9 hereof and applied to the payment of the principal
12 of and interest on any Bond.

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

20 Section 11. Appointment of Depositories and Other Agents. The City Treasurer is
21 hereby authorized and directed to appoint one or more depositories as he or she may deem
22 desirable and the provisions of Sections 6, 7, 8 and 9 relating to payments and redemption
23 notices to owners of the Bonds may be modified to comply with the policies and procedures of
24 such depository. The City will not have any responsibility or obligation to any purchaser of a
25 beneficial ownership interest in any Bonds or to any participants in such a depository with

1 respect to (i) the accuracy of any records maintained by such securities depository or any
2 participant therein; (ii) any notice that is permitted or required to be given to the owners of the
3 Bonds under this Resolution; (iii) the selection by such securities depository or any participant
4 therein of any person to receive payment in the event of a partial redemption of the Bonds;
5 (iv) the payment by such securities depository or any participant therein of any amount with
6 respect to the principal or redemption premium, if any, or interest due with respect to the
7 Bonds; (v) any consent given or other action taken by such securities depository as the owner
8 of the Bonds; or (vi) any other matter.

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

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

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

3 (b) Defeasance Securities (as herein defined) not subject to call, maturing
4 and paying interest at such times and in such amounts, together with cash, if required,
5 as will, without reinvestment, as certified by an independent certified public accountant,
6 be fully sufficient to pay the principal and all unpaid interest to maturity, or to the
7 redemption date, as the case may be, and any premium due, on the Bonds to be paid
8 or redeemed, as such principal and interest come due; provided, that, in the case of the
9 Bonds which are to be redeemed prior to maturity, notice of such redemption shall be
10 given as provided in Section 8 hereof or an irrevocable election to give such notice
11 shall have been made by the City;

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

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

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

22 (2) Pre-refunded fixed interest rate municipal obligations meeting the
23 following conditions: (a) the municipal obligations are not subject to redemption prior to
24 maturity, or the trustee has been given irrevocable instructions concerning their calling
25 and redemption and the issuer has covenanted not to redeem such obligations other

1 than as set forth in such instructions; (b) the municipal obligations are secured by cash
2 and/or United States Obligations; (c) the principal of and interest on the United States
3 Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the
4 municipal obligations; (d) the United States Obligations serving as security for the
5 municipal obligations are held by an escrow agent or trustee; (e) the United States
6 Obligations are not available to satisfy any other claims, including those against the
7 trustee or escrow agent; and (f) the municipal obligations are rated "AAA" by S&P and
8 "Aaa" by Moody's.

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

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

23 The Director of Public Finance is hereby authorized and directed to determine a date
24 for the sale of the Bonds. The Controller is hereby authorized to award the Bonds to the
25 bidder whose bid represents the lowest true interest cost to the City, all in accordance with the

1 procedures described in the Notice of Sale. Proposals shall be received by the Director of
2 Public Finance on the sale date designated by the Director of Public Finance. The Director of
3 Public Finance is hereby authorized and directed to cause to be mailed to prospective bidders
4 for the Bonds copies of said Official Notice of Sale, subject to such corrections, revisions or
5 additions as may be acceptable to the Director of Public Finance.

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

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

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

22 Section 16. Official Statement. The form of proposed Official Statement describing the
23 Bonds (the "Official Statement") (a copy of which is on file with the Clerk of the Board of
24 Supervisors in File No. _____ and which is hereby declared to be a part of this
25 Resolution as if fully set forth herein) submitted to the Board of Supervisors is hereby

1 approved and adopted as the Official Statement describing the Bonds, with such additions,
2 corrections and revisions as may be determined to be necessary or desirable and made in
3 accordance with Section 20 hereof. The Controller is hereby authorized to cause the
4 distribution of a Preliminary Official Statement deemed final for purposes of Rule 15c2-12 of
5 the Securities Exchange Act of 1934, as amended, and to sign a certificate to that effect. The
6 Controller is further hereby authorized and directed to sign the final Official Statement. The
7 Director of Public Finance is hereby authorized and directed to cause to be printed and mailed
8 to prospective bidders for the Bonds copies of the Official Statement in substantially the form
9 of the Preliminary Official Statement approved and adopted hereby, as supplemented,
10 corrected or revised.

11 Section 17. Tax Covenant.

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

1 executed and as they may be amended from time to time (herein called collectively, the "Tax
2 Certificate").

3 (b) In furtherance of the covenants of the City set forth above, this Board of
4 Supervisors will cause the Controller and the City Treasurer and all other appropriate City
5 officials to comply with the Tax Certificate. These covenants shall survive payment in full or
6 defeasance of the Bonds.

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

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

1 additions, corrections and revisions as may be determined to be necessary or desirable made
2 in accordance with Section 20 hereof.

3 Section 20. Modification to Documents. Any City official authorized by this Resolution
4 to execute any document is hereby further authorized, in consultation with the City Attorney,
5 to approve and make such changes, additions, amendments or modifications to the document
6 or documents such official is authorized to execute as may be necessary or advisable
7 (provided that such changes, additions, amendments or modifications shall not authorize an
8 aggregate principal amount of Bonds in excess of ~~\$50,500,000~~ 45,000,000 or conflict with the
9 provisions of Section 2 hereof). The approval of any change, addition, amendment or
10 modification to any of the aforementioned documents shall be evidenced conclusively by the
11 execution and delivery of the document in question.

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

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

24 Section 23. Supplemental Resolutions. For any one or more of the following purposes
25 and at any time or from time to time, a supplemental resolution of the City may be adopted,

1 which, without the requirement of consent of the owners of the Bonds, shall be fully effective
2 in accordance with its terms:

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

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

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

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

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

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

1 Section 24. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
2 City Treasurer, the Director of Public Finance, the City Attorney, the Controller, and their
3 respective designees, are each hereby authorized and directed in the name and on behalf of
4 the City to take any and all steps and to issue and deliver any and all certificates, requisitions,
5 agreements, notices, consents, and other documents, including but not limited to letters of
6 representations to any depository or depositories which they or any of them might deem
7 necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the
8 Bonds.

9
10 APPROVED AS TO FORM:

11 DENNIS J. HERRERA
12 CITY ATTORNEY

13
14 BY: _____
15 Theresa Alvarez Hackett
16 Deputy City Attorney