

**OFFICIAL NOTICE OF SALE**

**[\$[Par Amount]\*  
CITY AND COUNTY OF SAN FRANCISCO  
[TAXABLE] CERTIFICATES OF PARTICIPATION, SERIES \_\_\_\_  
(AFFORDABLE HOUSING PROJECTS)**

**Evidencing Proportionate Interests of the Holders Thereof in a Project Lease,  
Including the Right to Receive Base Rental Payments to be Made by the  
CITY AND COUNTY OF SAN FRANCISCO**

NOTICE IS HEREBY GIVEN that sealed or electronic bids will be received and opened and, in the case of electronic bids received solely through Ipreo LLC's BiDCOMP™/PARITY® System (the "Bidding Service" or "Parity"), in the manner described below, by the City and County of San Francisco (the "City") at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102 on:

**[Day], [Date] at 8:30 a.m. California time  
(subject to postponement in accordance with this Official Notice of Sale)**

for the purchase of \$[Par Amount]\* aggregate principal amount of City and County of San Francisco [Taxable] Certificates of Participation, Series \_\_\_\_ (Affordable Housing Projects) (the "Certificates"), as more particularly described below. Electronic bids will be received through Parity **on [Day], [Date], until 8:30 a.m. California Time.** See "TERMS OF SALE – WARNINGS REGARDING ELECTRONIC BIDS" herein.

**THE CITY RESERVES THE RIGHT TO POSTPONE OR CANCEL THE SALE OR CHANGE THE TERMS THEREOF PRIOR TO THE TIME ON \_\_\_\_, 20\_\_ WHEN BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT, CANCELLATION OR REVISION SHALL BE COMMUNICATED THROUGH THOMSON REUTERS AND BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES"), OR PARITY, AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT, CANCELLATION OR REVISION.** See "TERMS OF SALE – *Right to Postponement or Cancellation.*" Notice of the new date and time for receipt of bids shall be given through the News Services or Parity as soon as practicable following a postponement and no later than 3:00 p.m., California time, on the business day preceding the new date for receiving bids.

The City further reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, the principal amount of the Certificates being offered, upon notice given as described above. As an accommodation to bidders, telephonic, electronic or faxed notice of any postponement of the sale date and of the new sale date and time or any amendment or modification of this Official Notice of Sale will be given to any bidder requesting such notice from either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, CA 94605; Attention: Jocelyn Mortensen, email JMortensen@pragla.com, telephone: (510) 339-3212; fax: (510)

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\* Preliminary, subject to change.

281-6815 or Sperry Capital, Three Harbor Drive, Suite 101, Sausalito, California 94965, Attention: Bryant Jenkins, email: bjenkins@sperrycapital.com, telephone: (415) 339-9204, fax: (415) 339-6030. Failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale.

Notice of any change to the principal payment schedule for the Certificates to be used for the bidding process will be given via the News Services or Parity not later than 3:00 p.m. (California time) on the day prior to the date prescribed for the receipt of bids. Potential bidders must obtain any such revised principal payment schedule before bidding on the Certificates. See “TERMS RELATING TO THE CERTIFICATES– *Principal Payments*” and “– *Adjustment of Principal Payments*” below.

Bidders are referred to the Preliminary Official Statement dated the date hereof for additional information regarding the City; that certain real property located at [375 Laguna Honda Boulevard, San Francisco, California] (the “Site” and together with the improvements thereon, the “Leased Property”), subject to the Property Lease, dated as of May 1, 2009, by and between the City, as lessor and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”), as lessee, as heretofore supplemented and amended and as supplemented and amended by the \_\_\_\_ Supplement to Property Lease dated as of \_\_\_\_\_ 1, 20\_\_ (as amended, the “Property Lease”); the Project Lease dated as of May 1, 2009, as heretofore supplemented and amended and as supplemented and amended by the \_\_\_\_ Supplement to Project Lease dated as of \_\_\_\_\_ 1, 20\_\_ (as amended, the “Project Lease”), by and between the Trustee, as lessor, and the City, as lessee, whereby the Leased Property is leased back to the City; the Trust Agreement, dated as of May 1, 2009, as heretofore supplemented and amended and as supplemented and amended by the \_\_\_\_ Supplement to Trust Agreement, dated as of \_\_\_\_\_ 1, 20\_\_ (as amended, the “Trust Agreement”), the Certificates and the security therefor; and other matters relating to the Certificates. The Certificates will be secured by Base Rental payments on a parity with certain Certificates of Participation of the City secured by the Project Lease currently outstanding in an aggregate principal amount of \$[\_\_\_\_\_] as of the date hereof. See “TERMS OF SALE – *Official Statement*” below. Unless otherwise indicated, capitalized terms used but not defined in this Official Notice of Sale have the meanings ascribed to them in the Preliminary Official Statement.

## TERMS RELATING TO THE CERTIFICATES

**THE AUTHORITY FOR THE EXECUTION AND DELIVERY, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE CERTIFICATES ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED \_\_\_\_\_, 20\_\_ (THE “PRELIMINARY OFFICIAL STATEMENT”), WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE CERTIFICATES. THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.**

*Issue.* \$[Par Amount]\* aggregate principal amount of City and County of San Francisco Certificates of Participation, Series \_\_\_\_ (Affordable Housing Projects). The Certificates are fully registered

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\* Preliminary, subject to change.

certificates without coupons in book-entry form in denominations of \$5,000 or any integral multiple thereof, as designated by the successful bidder (the "Purchaser"), all dated the date of original execution and delivery thereof.

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

**Book-Entry Only.** The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Certificates. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Certificates purchased. As of the date of award of the Certificates, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

**Interest Rates.** Interest evidenced and represented by the Certificates shall be payable semiannually on April 1 and October 1 of each year, commencing \_\_\_\_ 1, 20\_\_ (each, an "Interest Payment Date"). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months, from the date of delivery of the Certificates.

Bidders must specify the rate or rates of interest that the Certificates shall bear; provided that: (i) the maximum interest rate bid shall not exceed 12% per annum; (ii) each interest rate specified in any bid for the Certificates must be a multiple of 1/8 or 1/20 of 1% per annum and a zero rate of interest cannot be named; (iii) each of the Certificates shall bear interest from its dated date to its stated Certificate Payment Date at the single rate of interest specified in the bid; and (iv) all Certificates maturing at any one time shall bear the same rate of interest.

**Principal Payments.** The Certificates shall be due on April 1, and shall consist of serial certificates or term certificates, as specified by the Purchaser. No serial certificates may mature following the commencement of the first sinking account installment prepayment. For any term certificates specified, the principal amount for a given year may be allocated only to a single term certificate and must be part of an uninterrupted annual sequence from the first sinking account installment prepayment to the term certificate maturity. Subject to adjustment as herein provided, the aggregate principal amount of the serial maturity or sinking account installment prepayment for the Certificates in each year is as follows:

## MATURITY SCHEDULE

<b>Certificate Payment Date (April 1)*</b>	<b>Principal Amount*</b>	<b>Certificate Payment Date (April 1)*</b>	<b>Principal Amount*</b>
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\* Preliminary, subject to change. Maturity schedule may be adjusted prior to pricing. The Certificate Payment Dates are subject to the creation of term certificates by the Purchaser, as set forth in herein.

***Adjustment of Principal Payments.*** The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid. Notice will be given via the News Services, not later than 3:00 p.m. (California time) on the business day prior to the date prescribed for the receipt of bids, of any change to the principal payment schedule for the Certificates to be utilized for the bidding process. The City reserves the right to change the principal payment schedule set forth in this Official Notice of Sale after the determination of the winning bidder, by increasing or decreasing the aggregate principal amount of the Certificates by not more than 10% or by adjusting one or more principal payments of the Certificates by not more than 10% in order to achieve level annual payments with respect to the Certificates. In such event, THE PURCHASER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS WITH RESPECT TO THE CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE. THE DOLLAR AMOUNT OF THE PRICE BID WILL BE CHANGED SO THAT THE PERCENTAGE OF NET COMPENSATION TO THE SUCCESSFUL BIDDER DOES NOT INCREASE OR DECREASE FROM WHAT IT WOULD HAVE BEEN IF NO ADJUSTMENT HAD BEEN MADE TO THE PRINCIPAL AMOUNTS PROVIDED BY THE CITY TO BE USED IN THE BIDDING PROCESS.

***Optional Prepayment of the Certificates.*** The Certificates with a Certificate Payment Date on or before April 1, 20\_\_ are not subject to optional prepayment prior to their respective fixed Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 20\_\_ are subject to optional prepayment prior to their respective fixed Certificate Payment Dates, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments at the prepayment price equal to 100% of the principal amount of Certificates to be prepaid, as a whole or in part, on any date on or after April 1, 20\_\_, plus accrued but unpaid interest to the date fixed for prepayment.

***Special Mandatory Prepayment of the Certificates.*** The Certificates will be subject to mandatory prepayment prior to their respective fixed Certificate Payment Dates, as a whole, or in part, on any date, at a Prepayment Price equal to the principal amount represented thereby plus accrued but unpaid interest to the prepayment date, without premium, from amounts deposited in the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

***Mandatory Sinking Account Installment Prepayment of the Certificates.\**** The Certificates are further subject to prepayment prior to their respective stated Certificate Payment Dates, on April 1 of each year for which a sinking account installment prepayment is specified by the Purchaser, by lot in the principal amount to be prepaid and accrued interest represented thereon to the date fixed for prepayment, without premium, but only in amounts equal to, and in accordance with, the scheduled prepaid components of the Base Rental represented by the Certificates to be prepaid.

***Payment.*** Principal and interest represented by the Certificates are payable in lawful money of the United States of America. As long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, principal and interest will be paid by wire transfer to Cede & Co. Principal and premium, if any, with respect to the Certificates, are payable upon the Certificate Payment Dates or earlier prepayment under the Trust Agreement hereinafter mentioned. Interest with respect to the Certificates is payable by check mailed to the registered owner at such address as it appears on the registration books of the Trustee as of the fifteenth day of the calendar month preceding the applicable Interest Payment Date, or for holders of at least \$1,000,000 aggregate principal amount of the Certificates, by wire transfer within the United States of America, upon due notice to the Trustee.

***Municipal Bond Insurance at Purchaser's Option.*** The City has not taken any steps to qualify the Certificates for municipal bond insurance and makes no representation as to whether the Certificates will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. **In particular, the City will not amend or supplement the documents authorizing the execution and delivery of the Certificates in any way, nor will either agree to enter into any additional agreement with respect to the provision of any such policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE CERTIFICATES.**

If the Purchaser exercises this option, the Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with

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\* Preliminary, subject to change.

respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two business days following the award of the Certificates by the City. The City will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Certificates, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Jones Hall, A Professional Law Corporation, and Amira Jackmon, Attorney at Law, Co-Special Counsel (“Co-Special Counsel”). **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CITY TO AMEND, SUPPLEMENT, REPRINT AND/OR “STICKER” THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT EVENT WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

*Tax Matters.* [In the opinion of Co-Special Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, (i) the portion of each Base Rental payment due under the Project Lease designated as and comprising interest and received by the Owners of the Certificates (the “Interest Portion”) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) the Interest Portion of each Base Rental payment is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax.

Co-Special Counsel are further of the opinion that the Interest Portion of each Base Rental payment due under the Project Lease is exempt from personal income taxes of the State under present State law. Co-Special Counsel express no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of the Interest Portion of, the Certificates.

In the event that prior to the delivery of the Certificates (a) the income received by any private holder from certificates of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax law, either by the terms of such law or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court or (b) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the Certificates as such, the Purchaser may, at its option, prior to the tender of the Certificates by the City, be relieved of its obligation under the contract to purchase the Certificates and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excluded from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or is otherwise includable for the purpose of calculating certain other tax liabilities.]

[The portion of the Certificate payments designated as and comprising interest and received by the Owners of the Certificates is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel, such portion of the Certificate payments is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest represented by, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.]

***Legal Opinion.*** The separate legal opinions of Co-Special Counsel approving the validity of the Project Lease and referring to the tax matters mentioned above and certain other matters will be furnished to the Purchaser without charge.

## TERMS OF SALE

**Form of Bid.** Each bid for the Certificates must be (1) for not less than all of the Certificates hereby offered for sale, (2) for not less than 99% of the par value of the Certificates, and (3) unconditional. Bids may include a premium on the par value of the Certificates. Bids delivered by hand must be in writing on the form attached hereto as Exhibit B and must be signed by the bidder. Electronic bids must conform with the procedures established by the Bidding Service; provided, however, that to the extent any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. Each bid, together with the check representing the bidder's good faith deposit in the amount of \$\_\_\_\_\_ (unless a financial surety bond is used) must be enclosed in a sealed envelope addressed to the Controller's Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, and clearly marked "Proposal for Certificates of Participation, Series \_\_\_\_ (Affordable Housing Projects)," as hereinafter described and received by 8:30 a.m. (California time) at the Controller's Office of Public Finance, Attention: Nadia Sesay (telephone: (415) 554-5956).

Bidders may submit the good faith deposit by wire transfer to:

U.S. Bank National Association  
ABA No. 091000022  
for credit to U.S. Bank National Association  
Account No. 180121167365  
Ref: City and County of San Francisco Affordable Housing COP

with notice thereof to Nadia Sesay, phone: (415) 554-5956; fax: (415) 554-4864. Bidders may also call (415) 554-6643 to confirm receipt of bids. If the sale of the Certificates is canceled or postponed, all sealed bids shall be returned unopened. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity, the approved Bidding Service, in accordance with this Official Notice of Sale until 8:30 a.m. (California time), but no bid will be received after the time specified for receiving bids. To the extent any instructions or directions set forth in the information provided by Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact the Co-Financial Advisors or Parity, phone: (212) 849-5021.

THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, WHETHER SEALED OR ELECTRONIC, IS TIMELY, LEGIBLE AND COMPLETE. THE CITY TAKES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE, ILLEGIBLE OR NOT RECEIVED.

**WARNINGS REGARDING ELECTRONIC BIDS: THE CITY WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH THE BIDDING SERVICE ON THE OFFICIAL BID FORM CREATED FOR SUCH PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH THE BIDDING SERVICE, THAT THE CITY NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF THE BIDDING SERVICE AND THAT THE BIDDING SERVICE IS NOT ACTING AS AN AGENT OF THE CITY. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM THE BIDDING SERVICE, AND THE CITY ASSUMES NO RESPONSIBILITY FOR**



**ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF THE BIDDING SERVICE. THE CITY SHALL ASSUME THAT ANY BID RECEIVED THROUGH THE BIDDING SERVICE HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.**

THE CITY WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE CITY, THE CO-FINANCIAL ADVISORS AND CO-SPECIAL COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE CITY AT THE PLACE OF BID OPENING, AND THE CITY SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY THE BIDDING SERVICE AS THE OFFICIAL TIME.

IN THE EVENT OF A MALFUNCTION IN THE ELECTRONIC BIDDING PROCESS, BIDDERS SHOULD SUBMIT THEIR BIDS ON THE OFFICIAL BID FORM ATTACHED HERETO AS EXHIBIT B VIA HAND DELIVERY AT THE LOCATION PROVIDED ABOVE.

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

**Good Faith Deposit.** Each bid must be accompanied by (i) a cashier's check in immediately available funds drawn on a bank or trust company transacting business in the State of California, or (ii) by a financial surety bond, or (iii) by wire transfer as described above, in each case in the amount of \$\_\_\_\_\_ payable to the order of the City, to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's and S&P. Such financial surety bond must be received by no later than 8:30 a.m. (California time) on \_\_\_\_\_, 20\_\_ by the Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102; telephone (415) 554-5956 facsimile (415) 554-4864, Attn.: Nadia Sesay. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the City has no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. If the Certificates are awarded to a bidder utilizing a financial surety bond, then the Purchaser shall deliver its good faith deposit to the Trustee in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (California time) on the business day immediately following the award. Wire transfer instructions to be used by the Purchaser are provided in the "TERMS OF SALE" section of this Notice of Sale, in the subsection entitled "Form of Bid." If such deposit is not received by that time, the financial surety bond shall be drawn by the City to satisfy the deposit requirement.

The City will accept a financial surety bond in lieu of a cashier's check or wire transfer under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond. The City does not encourage or discourage the use of a financial surety bond or any particular surety bond provider.

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

No interest will be paid upon the deposit made by any bidder. Good faith deposit checks or wire transfers of all bidders (except the Purchaser) will be returned by the City promptly following the award of the Certificates to the Purchaser. The deposit of the Purchaser will, immediately upon acceptance of its bid, become the property of the City to be held and invested for the exclusive benefit of the City. The principal amount of such deposit shall be applied to the purchase price of the Certificates at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Certificates, the City shall retain the good faith deposit and the Purchaser shall have no right in or to the Certificates or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Certificates would not be validly delivered if delivered to the Purchaser in the form and manner proposed. In the event of non-payment for the Certificates upon the valid tender thereof to the Purchaser, the City reserves any and all rights granted by law to recover the full purchase price of the Certificates and, in addition, any damages suffered by the City.

**Maximum Discount.** The amount of discount (inclusive of original issue discount) specified in any bid shall not exceed 1% of the aggregate principal amount of the Certificates.

**Basis of Award.** Unless all bids are rejected, the Certificates will be awarded to the bidder whose bid represents the lowest true interest cost ("TIC") for the Certificates. The TIC will be that nominal annual interest rate which, when compounded semiannually and used to discount, to the dated date of the Certificates, all payments of principal and interest, results in an amount equal to the principal amount of such Certificates plus the amount of any premium offered, if any, or less the amount of any discount taken. In the event that two or more bidders offer bids for the Certificates at the same lowest TIC, the City shall determine by lot which bidder shall be awarded such Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

**Estimate of TIC.** Each bidder is requested, but not required, to state in its bid the amount of interest payable with respect to the Certificates during the life of the issue and the percentage true interest cost to the City (determined as described above), which shall be considered as informative only and not binding on either the bidder or the City.

**Right of Rejection and Waiver of Irregularity.** The City reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid.

**Prompt Award.** The Director of Public Finance of the City or her designee will take action awarding the Certificates or rejecting all bids not later than 30 hours after the expiration of the date and time at which bids are received, unless such period for award is waived for the Purchaser. The City will make a formal award of the Certificates to the Purchaser following receipt of the completed reoffering price certificate described in the next paragraph. Each bidder should note that reoffering yields must be faxed to the City at (415) 554-4864 prior to any notification by the City of a best bid award.

**Reoffering Prices and Certificate.** Individual maturities of the Certificates may be offered at a discount or a premium. The Purchaser of the Certificates must actually reoffer all of the Certificates to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable, but not later than one hour after the award, the Purchaser shall provide to the City the initial offering prices at which it has offered all of the Certificates of each maturity to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering.

Prior to delivery of the certificates, the Purchaser shall provide to the City and to Co-Special Counsel a reoffering price certificate in the form attached to this Notice of Sale as Exhibit C. In addition, at the request of Co-Special Counsel, the Purchaser shall provide additional information regarding its sales of the Certificates to the City and Co-Special Counsel. For purposes of the foregoing, sales to other securities brokers or dealers shall not be considered to be sales to the general public.

**Qualification for Sale.** Compliance with Blue Sky laws shall be the sole responsibility of the Purchaser. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City shall deem necessary or appropriate to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however*, that the City shall not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. **The Purchaser will not offer to sell or solicit any offer to buy the Certificates in any jurisdiction where it is unlawful for the Purchaser to make such offer, solicitation or sale, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells the Certificates.**

**Delivery and Payment.** Delivery of the Certificates, in the form of one certificate for each Certificate Payment Date, shall be made to the Purchaser through the facilities of DTC in New York, New York, or at any other location mutually agreeable to both the City and the Purchaser, as soon as practicable. The anticipated date of delivery of the Certificates is [anticipated Delivery Date]. Payment for the Certificates (including any premium) must be made by wire transfer in funds immediately available in San Francisco. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The costs of preparing the Certificates will be borne by the City.

**Right of Cancellation.** The Purchaser shall have the right, at its option, to cancel its obligation to purchase the Certificates if the City fails to tender the Certificates for delivery within 60 days from the date of sale thereof, and in such event the Purchaser shall only be entitled to the return of the principal amount of the deposit which accompanied its bid.

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

**CUSIP Numbers.** It is anticipated that CUSIP numbers will be printed on the Certificates and in the Official Statement, but neither the failure to print such numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Official Notice of Sale. The expenses associated with printing CUSIP numbers on the Certificates shall be paid by the City. The CUSIP Service Bureau charge for the assignment of said CUSIP numbers shall be paid by the Purchaser.

**California Debt and Investment Advisory Commission Fee.** Bidders are directed to California Government Code Section 8856, which provides that the Purchaser of the Certificates will be charged the California Debt and Investment Advisory Commission fee. The Purchaser shall pay such fee promptly upon receipt of the invoice therefor.

**Certificate Regarding Official Statement.** At the time of delivery of the Certificates, the Purchaser will receive a certificate, signed by an officer of the City, confirming to the Purchaser that, to the best knowledge of said officer, the final Official Statement relating to the Certificates (the "Official Statement") (excluding information regarding the policy of municipal bond insurance and the provider thereof, if any, and excluding the description of the book-entry only system of DTC, as to which no opinion shall be expressed) as of the date of sale of the Certificates and as of the date of delivery thereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

**Official Statement.** The City has issued a Preliminary Official Statement relating to the Certificates and has authorized the use of said Preliminary Official Statement in connection with the sale of the Certificates. The Preliminary Official Statement is available on the Internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). Bidders will be required to confirm their consent to delivery of the Preliminary Official Statement in electronic form and their review of a complete copy of the Preliminary Official Statement, as a condition to the acceptance of their bids by the City. The Internet posting of the Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the securities described in the Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The Preliminary Official Statement will be furnished to any interested bidder upon request to either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, CA 94605; Attention: Jocelyn Mortensen, email [JMortensen@pragla.com](mailto:JMortensen@pragla.com), telephone: (510) 339-3212; fax: (510) 281-6815 or Sperry Capital, Three Harbor Drive, Suite 101, Sausalito, California 94965, Attention: Bryant Jenkins, email: [bjenkins@sperrycapital.com](mailto:bjenkins@sperrycapital.com), telephone: (415) 339-9204, fax: (415) 339-6030.

In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Certificates, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge. Upon the request of the Purchaser, which shall be made to the City

within two days of the award of the Certificates, the City will supply additional copies of the Official Statement at the expense of the Purchaser.

By making a bid for the Certificates, the bidder agrees, if awarded the Certificates: (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12 and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Certificates to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each ultimate purchaser of Certificates.

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

***Continuing Disclosure.*** The City will covenant in a Continuing Disclosure Certificate, for the benefit of the holders or beneficial owners of the Certificates, to provide certain financial information relating to the City not later than 270 days following the end of the City's fiscal year, commencing with the report for the [2014-15] fiscal year, and to provide notices of certain listed events. The form of Continuing Disclosure Certificate is attached as an appendix to the Official Statement. The covenants have been made in order to assist the underwriters of the Certificates in complying with Rule 15c2-12 (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of listed events.]

***Right to Postponement or Cancellation.*** The City may postpone or cancel the sale prior to the time bids are to be received as provided on page one hereof, provided that notice is communicated to prospective bidders through the News Services or Parity prior to the time then scheduled for the receipt of such bids. Notice of a new time, or of a new date and time, if any, will be given through the News Services or Parity as soon as practicable following a postponement. If the sale is postponed, any subsequent bid submitted by the bidder will supersede any prior bid made. If the sale is cancelled, all sealed bids shall be returned unopened. Failure of any bidder to receive notice of any postponement or cancellation shall not invalidate the sufficiency of any such notice.

***Right to Modify or Amend.*** The City reserves the right to modify or amend the sale as provided on page one hereof and the right to modify or amend this Official Notice of Sale in any respect; *provided, however,* that any such modification or amendment shall be made not later than 3:00 p.m. (California time) on the day prior to the date prescribed for receipt of bids, and shall be communicated to potential bidders through the News Services or Parity. Failure of any bidder to receive notice of any modification or amendment shall not invalidate the sufficiency of any such notice.

***Equal Opportunity.*** Pursuant to the spirit and intent of the City's LBE Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission on prospective proposing syndicate/teams. A list of certified LBEs can be obtained by contacting the San Francisco Human Rights Commission at 25 Van Ness Avenue, 8<sup>th</sup> Floor, San Francisco, California 94102; Telephone: (415) 252-2500.

***Defined Terms.*** The terms used in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

Dated: \_\_\_\_\_, 20\_\_

**EXHIBIT A**

**CERTIFICATE OF CERTIFICATE INSURER**

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

1. The statements contained in the Official Statement, dated \_\_\_\_\_, 20\_\_ (the "Official Statement"), relating to the City and County of San Francisco Certificates of Participation, Series \_\_\_\_ (Affordable Housing Projects) (the "Certificates") under the caption "CERTIFICATE INSURANCE," insofar as such statements constitute descriptions or summaries of the Certificate Insurer or the municipal bond insurance policy (the "Policy") of the Certificate Insurer covering the Certificates, accurately reflect and fairly present the information set forth therein, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

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

NAME OF CERTIFICATE INSURER:

By: \_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Phone Number

**EXHIBIT B**  
**OFFICIAL BID FORM AND PROPOSAL FOR THE PURCHASE OF**  
**\$ \_\_\_\_\_\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**CERTIFICATES OF PARTICIPATION, SERIES \_\_\_\_\_**  
**(AFFORDABLE HOUSING PROJECTS)**

**Evidencing Proportionate Interests of the Holders Thereof in a Project Lease,**  
**Including the Right to Receive Base Rental Payments to be Made by the**  
**CITY AND COUNTY OF SAN FRANCISCO**

Controller  
c/o Office of Public Finance  
City and County of San Francisco  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 336  
San Francisco, California 94102  
Confirm No.: (415) 554-6643

BIDDING FIRM'S NAME:

\_\_\_\_\_

Subject to the provisions and in accordance with the terms of the Official Notice of Sale, dated \_\_, \_\_, which is incorporated herein and made a part of this proposal, we hereby offer to purchase all of the \$ \_\_\_\_\_\* aggregate principal amount of the City and County of San Francisco Certificates of Participation, Series \_\_\_\_\_ (Affordable Housing Projects) (the "Certificates") dated the date of the delivery thereof to the initial purchasers thereof on the following terms, including the submission of the required good faith deposit in the amount of \$ \_\_\_\_\_ in the form of (check one: \_\_\_ cashier's check or \_\_\_ surety bond) and to pay therefor the price of \$ \_\_\_\_\_, which is equal to the aggregate principal amount of the Certificates plus a premium of \$ \_\_\_\_\_ or less a discount of \$ \_\_\_\_\_ (not to exceed one percent (1%) (such amount being the "Purchase Price"). The Certificates shall mature in the amounts and years, and bear interest at the rates per annum (for the Certificates in multiples of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum, as set forth in the following schedule.

**MATURITY SCHEDULE**

<b>Certificate Payment Date</b>	<b>Principal Amount<sup>(2)</sup></b>	<b>Serial Maturity<sup>(3)</sup></b>	<b>Sinking Account Installment Prepayment</b>	<b>Interest Rate</b>	<b>Certificate Payment Date</b>	<b>Principal Amount<sup>(2)</sup></b>	<b>Serial Maturity<sup>(3)</sup></b>	<b>Sinking Account Installment Prepayment</b>	<b>Interest Rate</b>
<u>April 1<sup>(1)</sup></u>	<u>Amount<sup>(2)</sup></u>	<u>Maturity<sup>(3)</sup></u>	<u>Check One</u>	<u>Rate</u>	<u>April 1<sup>(1)</sup></u>	<u>Amount<sup>(2)</sup></u>	<u>Maturity<sup>(3)</sup></u>	<u>Check One</u>	<u>Rate</u>

- 1 Please circle any term certificate maturity dates.  
2 Subject to adjustment in accordance with the Official Notice of Sale.  
3 There shall be no serial maturities for dates after the first sinking account installment prepayment.

\* Preliminary, subject to change.



The undersigned acknowledges that it has received and reviewed a complete copy in electronic form of the Preliminary Official Statement relating to the Certificates. The undersigned consents to delivery of the POS in electronic form and waives receipt of a paper copy of the POS.

Purchase Price: \$ \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

True Interest Cost: \_\_\_\_\_%

Name and Title: \_\_\_\_\_

Total Interest: \$ \_\_\_\_\_

Syndicate Manager: \_\_\_\_\_

Bond Insurance Premium: \$ \_\_\_\_\_

(Attached is a list of the members of our account on whose behalf this bid is made.)

Bond Insurer, If any: \_\_\_\_\_

Phone No.: (\_\_\_\_) \_\_\_\_-\_\_\_\_\_

Facsimile No.: (\_\_\_\_) \_\_\_\_-\_\_\_\_\_

THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING.

**EXHIBIT C**

**[TO BE UPDATED]**

**REOFFERING PRICE CERTIFICATE**

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

Controller  
c/o Office of Public Finance  
City and County of San Francisco  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 336  
San Francisco, California 94102  
Fax No.: (415) 554-4864

This Certificate is furnished by \_\_\_\_\_ (the “Purchaser”) of the City and County of San Francisco Certificates of Participation, Series \_\_\_\_ (Affordable Housing Projects) (the “Certificates”) in the aggregate original principal amount of \$\_\_\_\_\_ issued by the City and County of San Francisco (the “Issuer”). Capitalized terms used herein shall have the meanings given such terms in the Tax Certificate of the Issuer dated the date hereof to which this Certificate is attached.

The undersigned does hereby certify as follows:

*A. Issue Price.*

1. All Certificates of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule A attached hereto, and such offering prices were established by a bona fide public offering by the Purchaser of 100% of the Certificates of each maturity to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

2. The aggregate of the initial offering prices of the Certificates is \$\_\_\_\_\_.

3. On the date of the sale of the Certificates, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [*if less than ten percent of some maturities of the Certificates has been sold to the public, add: ,* except the Certificates maturing in the years 20\_\_, 20\_\_20\_\_, 20\_\_, 20\_\_ and 20\_\_], was sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in Schedule A attached hereto. At the time we agreed to purchase the Certificates, based on our assessment of the then prevailing market conditions, we

had no reason to believe that any of the Certificates would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, than those set forth in Schedule A attached hereto, and such prices and yields, maturity-by-maturity, represented our best judgment of the fair market value of the Certificates.

4. [Less than ten percent (10%) of the Certificates maturing in the years 20\_\_, 20\_\_20\_\_, 20\_\_, 20\_\_ and 20\_\_] was sold to the public following a bona fide public offering at the prices or yields shown in the Official Statement. The unsold Certificates were bought by members of the bond syndicate for the Certificates. Even though, on the date of the sale of the Certificates, it was reasonably expected that such unsold Certificates would be held as inventory until sold to the public (as opposed to being held for the bond houses' own accounts), and even though it could then be reasonably expected that such sale to the public might be at prices higher than the prices, or yields lower than the yields, set forth in Schedule A attached hereto, our reasonable expectations regarding the fair market value of such Certificates, as of the date of the sale of the Certificates, were those reflected as the public offering prices or yields of such Certificates set forth in Schedule A attached hereto.

5. As of the date of sale of the Certificates, the Purchaser, taking into account market conditions, had no reason to believe any of the Certificates would be initially sold to the general public at prices greater than the initial offering prices to the public.

6. As of the date hereof, neither the Purchaser nor any affiliate of the Purchaser has participated in offering any derivative product with respect to the Certificates.

*B. Qualified Guarantee.*

The present value of the interest saved as a consequence of the municipal bond insurance policy (the "Bond Insurance") to be issued by \_\_\_\_\_ (the "Bond Insurer") with respect to the Certificates exceeds the present value of the premium for the Bond Insurance, and the premium for the Bond Insurance does not exceed a reasonable charge for the transfer of credit risk and is comparable with other fees under current market conditions for similar credits. The premium for the Bond Insurance was determined in arm's-length negotiations. We believe that no non-guarantee services are being provided by the Bond Insurer.

We understand that the representations contained herein may be relied upon by the Issuer of the Certificates in making certain of the representations contained in the Tax Certificate, and we further understand that Jones Hall , A Professional Law Corporation, and Amira Jackmon, Attorney at Law, Co-Special Counsel to the Issuer (collectively, "Co-Special Counsel"), may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Certificates pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

C. *Compensation.*

All compensation received for underwriting services (which includes certain expenses, including the Bond Insurance premium) in connection with the sale and delivery of the Certificates is being paid on the date hereof in the form of a purchase discount in the amount of \$\_\_\_\_\_, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Certificates.

We understand that the representations contained herein will be relied upon by the Issuer in making certain of the representations contained in the Tax Certificate relating to the Certificates, and we further understand that Co-Special Counsel to the Issuer may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Certificates pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Dated: \_\_\_\_\_, 20\_\_.

[PURCHASER]

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C**

**SCHEDULE A**

<b>Certificate Payment Date (April 1)*</b>	<b>Principal Amount</b>	<b>Initial Reoffering Price</b>	<b>Certificate Payment Date (April 1)*</b>	<b>Principal Amount</b>	<b>Initial Reoffering Price</b>
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\* These maturities were each priced to their first optional redemption date on April 1, 20\_\_ at 100% of the outstanding amount thereof.