Resolution authorizing and directing the sale of not to exceed $50,500,00045,000,000 City and County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1; prescribing the form and terms of said bonds, authorizing the execution, authentication and registration of said bonds; providing for an annual appropriation to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the form of the Official Notice of Sale and the Notice of the Intention to Sell Bonds; approving the form and execution of the Official Statement relating thereto; approving the form of the Refunding Instructions; approving modifications to the documents approved herein; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

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

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

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Mayor Willie L. Brown, Jr.
BOARD OF SUPERVISORS
WHEREAS, This Board of Supervisors has determined, and does hereby declare that it is necessary and desirable to issue refunding bonds of the City to be designated the "City and County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1" (the "Bonds") in an aggregate principal amount not to exceed $50,500,000, for the purposes set forth above and on the conditions set forth in this Resolution of the Board of Supervisors (this "Resolution"); and,

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

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

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

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

Section 2. Issuance of Bonds. Pursuant to Section 9.111 of the City Charter and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53570 of said Code, the Board of Supervisors hereby authorizes the issuance and sale of not to exceed $50,500,000 principal amount of bonds to be designated as "City and County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1" for the purpose of reducing the amount of debt service payments on the Prior Bonds by refunding and setting aside funds to retire all or a portion of the Prior Bonds and to pay the cost of issuance of the Bonds. The Director of Public Finance of the City, or her designee (collectively, the "Director of Public Finance"), is hereby authorized to determine the sale date, the interest payment dates and the redemption provisions of the Bonds, subject to the following terms and conditions: (i) the Bonds shall not
have a true interest cost in excess of 12% (as such term is defined in the Official Notice of Sale); and (ii) the Bonds shall not have a final maturity date after March 15, 2011. The Director of Public Finance is further authorized to assign the Bonds such additional or other series designation as may be necessary or appropriate to distinguish such series from other bonds issued by the City. *Furthermore, the Director of Public Finance is hereby authorized to determine the final terms, amounts, maturities, interest rates and other provisions of the Bonds subject to the provisions set forth herein; provided that the issuance of the Bonds would result in net debt service savings to the City on a present value basis of at least 2.75 percent, calculated in accordance with Section 43.6.6 of the City's Administrative Code.*

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

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

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

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

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

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Mayor Willie L. Brown, Jr.
BOARD OF SUPERVISORS
Only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form herein recited, executed by the City Treasurer, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the City Treasurer shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Pre-refunded fixed interest rate municipal obligations meeting the
following conditions: (a) the municipal obligations are not subject to redemption prior to
maturity, or the trustee has been given irrevocable instructions concerning their calling
and redemption and the issuer has covenanted not to redeem such obligations other
than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated "AAA" by S&P and "Aaa" by Moody's.

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

Section 13. Official Notice of Sale. The form of proposed Official Notice of Sale inviting bids for the Bonds (a copy of which is on file with the Clerk of the Board of Supervisors in File No. 031498 and which is hereby declared to be a part of this Resolution as if fully set forth herein), is hereby approved and adopted as the Official Notice of Sale inviting bids for the Bonds with such additions, corrections and revisions as may be determined to be necessary or desirable and made in accordance with Section 20 hereof.

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

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

**Section 14. Publication of Notice of Intention to Sell Bonds.** The form of proposed Notice of Intention to Sell Bonds (a copy of which is on file with the Clerk of the Board of Supervisors in File No. 031498 and which is hereby declared to be a part of this Resolution as if fully set forth herein), is hereby approved and adopted as the Notice of Intention to Sell Bonds, and the Clerk of the Board of Supervisors is hereby authorized and directed to cause said Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be made in accordance with Section 20 hereof, to be published once at least fifteen (15) days before the date of sale in The Bond Buyer, or a financial publication generally circulated throughout the State of California.

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

**Section 16. Official Statement.** The form of proposed Official Statement describing the Bonds (the "Official Statement") (a copy of which is on file with the Clerk of the Board of Supervisors in File No. 031498 and which is hereby declared to be a part of this Resolution as if fully set forth herein) submitted to the Board of Supervisors is hereby
approved and adopted as the Official Statement describing the Bonds, with such additions, corrections and revisions as may be determined to be necessary or desirable and made in accordance with Section 20 hereof. The Controller is hereby authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Controller is further hereby authorized and directed to sign the final Official Statement. The Director of Public Finance is hereby authorized and directed to cause to be printed and mailed to prospective bidders for the Bonds copies of the Official Statement in substantially the form of the Preliminary Official Statement approved and adopted hereby, as supplemented, corrected or revised.

Section 17. Tax Covenant.

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

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

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

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

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

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

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

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

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

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

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

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

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

Any modification or amendment of this Resolution and of the rights and obligations of the City and of the owners of the Bonds, in any particular, may be made by a supplemental resolution, with the written consent of the owners of at least a majority in aggregate principal amount of the Bonds outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms or maturity of the principal of any outstanding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall reduce the amount of moneys for the repayment of the Bonds without the consent of all the owners of such Bonds.
Section 24. **General Authority.** The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney, the Controller, and their respective designees, are each hereby authorized and directed in the name and on behalf of the City to take any and all steps and to issue and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, including but not limited to letters of representations to any depository or depositories which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds.

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

BY: Theresa Alvarez Hackett
Deputy City Attorney
Resolution authorizing and directing the sale of not to exceed $45,000,000 City and County of San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1; prescribing the form and terms of said bonds, authorizing the execution, authentication and registration of said bonds; providing for an annual appropriation to pay the principal and interest thereof; providing for the appointment of depositaries and other agents for said bonds; providing for the establishment of accounts related thereto; approving the form of the Official Notice of Sale and the Notice of the Intention to Sell Bonds; approving the form and execution of the Official Statement relating thereto; approving the form of the Continuing Disclosure Certificate; approving the form of the Refunding Instructions; approving modifications to the documents approved herein; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

October 7, 2003 Board of Supervisors — ADOPTED
Ayes: 9 - Ammiano, Dufty, Hall, Ma, Maxwell, McGoldrick, Newsom, Peskin, Sandoval
Noes: 2 - Daly, Gonzalez
File No. 031498

I hereby certify that the foregoing Resolution was ADOPTED on October 7, 2003 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Date Approved

Mayor Willie L. Brown Jr.