


To: James L. App, City Manager  
From: Mike Compton, Director of Administrative Services   
Subject: Sale of General Obligation Bonds  
DATE: April 20, 1999

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Need:  
For the Council to consider approval of a resolution to authorize the sale of \$23 million par value general obligation bonds.

- Facts:
1. The City received voter approval, via the passage of Measure D on the June, 1998 ballot, to sell \$38 million in general obligation bonds.
  2. The Council has imposed limits to restrict the term length of any series of bonds sold to a maturity of no greater than 25 years and limiting the tax rate to \$0.1775 per \$100 assessed valuation.
  3. Revenues generated from the tax rate of \$0.1775 will not begin flowing to the City until fiscal year 2003.
  5. Without a current revenue stream, the general obligation bonds will be structured and sold as "capital appreciation" bonds in order that the City may receive bond sale proceeds immediately but not make debt service payments until fiscal year 2003.

Analysis and Conclusions:  
Normally, the City might move a little slower, selling bonds in smaller increments as needed. However, the bond market currently enjoys unprecedented low interest rates. By selling a larger series of bonds now, the City may be able to take advantage of the lower rates and sell more bonds overall than if smaller more numerous sales were made over time. Since the City has up to three years to spend the bond proceeds and so long as the City does not exceed arbitrage limitations, available bond sale proceeds may be invested in order to generate interest income for Measure D projects. Arbitrage represents the differential between the net effective interest rate paid on the bonds versus the interest earned on the investment of the proceeds from the bond sales before being spent on project costs. The investment yield can not exceed the net effective interest cost to the bondholders.

On the downside, the issuance of bonds early will result in increased bond interest expense. However, this added expense was included in all prior financial projections relating to the availability of funds and estimated total project costs.

The general obligation bonds being proposed to be sold will be technically referred to as "capital appreciation" bonds since they are being sold prior to the availability of property

tax revenues. The bonds will incur interest expense beginning immediately which will be added to the amount that must be repaid beginning in fiscal year 2003. Thus, the term "capital appreciation".

While Council approval is being requested now to sell bonds, the actual sale is not anticipated to occur until July, 1999. However, approval now would provide flexibility should market conditions move unfavorably.

Fiscal  
Impact:

Given current market conditions and the low cost associated with the sale of general obligation bonds, it is estimated that the sale of \$23 million will generate \$22.8 million in bond sale revenues. According to the current project schedule, the City should be able to spend the entire \$22.8 million within the three year time limitation.

Based upon the existing project construction schedule, it is estimated that the City will earn \$1.3 million in interest on the \$22.8 million in the construction fund between July, 1999 and October, 2001. These interest earnings were included in all prior financial projections for Measure D projects. This does not take into consideration the issuance of the series B bonds in July, 2000 which will be fully invested until October, 2001 when draw downs will begin for construction costs.

Options:

- a. That the Council adopt a resolution authorizing the sale of \$23 million in general obligation bonds; or
- b. Amend, modify or reject any of the options above.

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO  
DE ROBLES AUTHORIZING THE ISSUANCE AND SALE OF NOT  
TO EXCEED \$23,000,000 AGGREGATE ORIGINAL PRINCIPAL  
AMOUNT OF GENERAL OBLIGATION BONDS AND  
AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, pursuant to Article 4.5 (commencing with Section 53506) of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law"), the City of El Paso de Robles (the "City") is empowered to issue general obligation bonds which are authorized by two-thirds of the electors voting on the proposition; and

WHEREAS, more than two-thirds of the electors voting at a special municipal election held on June 2, 1998, voted for a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$38,000,000 for the purpose of providing funds for certain municipal improvements, including bridge expansions, public safety center, Barney Schwartz Park, airport industrial improvements, senior center and veterans facility; and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of the initial series of general obligation bonds pursuant to such authority in an aggregate original principal amount of not to exceed \$23,000,000 (the "Bonds") pursuant to this Resolution and in conformity with the Bond Law;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

"Accreted Value" means, with respect to any Series A Bond, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Series A Bond. The Accreted Value of any Series A Bond as of any date other than a Compounding Date shall be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined pursuant to the preceding clause (a), computed to the date as of which the calculation is being made at the yield to maturity set forth on such Series A Bond (computed on the basis of a 360-day year of twelve 30-day months).

"Bond Counsel" means (a) Robert M. Haight, Attorney at Law, and (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

"Bond Law" means Article 4.5 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, as in effect on the date of adoption hereof and as amended hereafter.

"Bond Proposition" means the proposition submitted to and approved by more than two-thirds of the voters, pursuant to which the issuance of the Bonds has been authorized.

"Bond Year" means the one-year period beginning on August 1 in each year and ending on the next succeeding July 31; except that the first Bond Year shall begin on the Closing Date and end on July 31, 2000.

"Bonds" means, collectively, the Series A Bonds which are issued and at any time Outstanding under this Resolution.

"City" means the City of El Paso de Robles, a general law city and municipal corporation organized under the Constitution and laws of the State of California, and any successor thereto.

"City Representative" means the City Manager or Administrative Services Director/City Treasurer of the City, or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Resolution and the Bonds.

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

"Compounding Date" means, with respect to any Series A Bond, each February 1 and August 1 to and including the date of maturity or redemption of such Series A Bond, commencing February 1, 2000.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of San Luis Obispo, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

RESOLUTION NO. \_\_\_\_\_

"Debt Service Fund" means the account established and held by the City pursuant to Section 4.03.

"Denominational Amount" means with respect to any Series A Bonds, the original amount of such Series A Bond as of the Closing Date.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.09.

"Depository System Participant" means any participant in the Depository's book-entry system.

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

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

"Information Services" means Financial Information, Inc.'s Financial Daily Called Bond Service; Interactive Data Corporation's Bond Service; Kenny Information Service's Called Bond Service; Moody's Municipal and Government; or Standard & Poor's Called Bond Record.

"Interest Payment Date" means February 1, 2000, and the first day of each succeeding February and August.

"Maturity Value" means, with respect to any Series A Bond, means the Accreted Value of such Series A Bond to be paid upon the stated maturity date thereof.

"Original Purchaser" means, collectively, the original purchaser of the Series A Bonds at public sale thereof.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to this Resolution.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Paying Agent" means the Paying Agent appointed by the City and acting as paying agent, registrar and authenticating agent for the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

"Principal Office" means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the City by the Paying Agent.

"Project Fund" means the fund established and held by the City pursuant to Section 4.02.

"Record Date" means the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such day is a business day.

"Registration Books" means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.08.

"Resolution" means this Resolution, as originally adopted by the City Council on April 20, 1999, and including all amendments hereto and supplements hereof which are duly adopted by the City Council from time to time in accordance herewith.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile transmission: (516) 227-4039, (516) 227-5190 with Cede & Co. as its nominee.

"Series A Bonds" means the Bonds designated as such in Section 2.01, the interest component of which is compounded semiannually on each Interest Payment Date and is payable in full at maturity as shown in the table of Accreted Value for such Bonds.

"Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with Article VIII.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Written Request of the City" means an instrument in writing signed by a City Representative or by any other officer of the City duly authorized to act on behalf of the City pursuant to a written certificate of a City Representative.

SECTION 1.02. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. *Authority for this Resolution; Findings.* This Resolution is entered into pursuant to the provisions of the Bond Law. It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California.

## ARTICLE II

### THE BONDS

SECTION 2.01. *Authorization.* Bonds in the aggregate original principal amount (consisting of the aggregate Denominational Amount of the Series A Bonds) of not to exceed Twenty-Three Million Dollars (\$23,000,000) are hereby authorized by the City to be issued by the City under and subject to the terms of the Bond Law and this Resolution, for the purpose of raising money for the acquisition or improvement of real property in accordance with the Bond Proposition, and to pay the Costs of Issuance incurred in connection therewith. This Resolution constitutes a continuing agreement between the City and the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and interest and premium, if any, on all Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be issued as Series A Bonds in the form of capital appreciation bonds, to be designated the "City of El Paso de Robles 1999 General Obligation Bonds (Election of 1998), Series A Capital Appreciation Bonds."

#### SECTION 2.02. *Terms of Bonds.*

(a) Series A Bonds. The Series A Bonds shall be issued in fully registered form without coupons in Maturity Values (representing both principal and interest payable at maturity) of \$5,000 or any integral multiple thereof, maturing on August 1 in each of the years and in the maturity amounts as shall be determined upon the sale thereof. Interest on the Series A Bonds shall compound on each Compounding Date at the respective yields to maturity as shall be determined upon the sale thereof, and shall be payable solely at maturity or upon earlier redemption thereof as hereinafter provided.

Each Series A Bond shall be dated as of the Closing Date. The Accreted Value of the Series A Bonds and any redemption premium thereon shall be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Principal Office of the Paying Agent. The Accreted Value of the Series A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Principal Office of the Paying Agent.

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

SECTION 2.03. *Redemption.*

(a) Redemption Dates and Prices. The Bonds maturing on or before August 1, 200\_\_\_, shall not be subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 200\_\_\_, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as shall be designated by the City and by lot within a maturity, from any available source of funds, on August 1, 200\_\_\_, and on any Interest Payment Date thereafter, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) as set forth in the following table, together with interest accrued and compounded thereon to the date fixed for redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 200___, and February 1, 200___	102.0%
August 1, 200___, and February 1, 200___	101.0
August 1, 200___, and thereafter	100.0

(b) Mandatory Sinking Fund Redemption. In the event and to the extent specified in the bid of the winning bidder for the Series A Bonds, any maturity of such Bonds shall be designated as "Term Bonds" and shall be subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts set forth in such bid, at a redemption price equal to one hundred percent (100%) of the Accreted Value of the Series A Bonds to be redeemed, in each case without premium, together with interest accrued and compounded thereon to the date fixed for redemption. If some but not all of such Term Bonds have been redeemed pursuant to the preceding subsection (a) of this Section, the aggregate principal amount of such Term Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the City with the Paying Agent.

(c) Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series A Bond shall be deemed to consist of individual Bonds of \$5,000 Maturity Value each, which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses



appearing on the Registration Books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of accrual and compounding of interest thereon from and after the redemption date. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at least two (2) days prior to such mailing to the Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue and compound from and after the redemption date.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations or Maturity Value equal to the aggregate principal amount or Maturity Value, as the case may be, of the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue or compound thereon on or after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.03 shall be canceled by the Paying Agent, and a certificate of cancellation shall be submitted by the Paying Agent to the City.

**SECTION 2.04. *Form of Bonds.*** The Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto.

**SECTION 2.05. *Execution of Bonds.*** The Bonds shall be signed by the facsimile signature of the Mayor of the City and shall be attested by the facsimile signature of the City Clerk of the City, and the seal of the City shall be reproduced thereon. No Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so registered have

been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent. The Paying Agent shall not be obligated to make any transfer of Bonds during the period established by the Paying Agent for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Whenever any Series A Bond or Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver to the transferee a new Series A Bond or Bonds of like maturity and aggregate Maturity Value.

SECTION 2.07. *Exchange of Bonds.* The Series A Bonds may be exchanged at the Principal Office of the Paying Agent for a like original principal amount of Series A Bonds of other authorized Maturity Values and of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange (except in the case of any exchange of temporary Bonds for definitive Bonds). No exchanges of Bonds shall be required to be made during the period established by the Paying Agent for the selection of Bonds for redemption or with respect to any Bonds selected for redemption.

SECTION 2.08. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

SECTION 2.09. *Book-Entry System.* Except as provided below, the Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount or Maturity Value of the Bonds maturing on such date. The Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the City shall be affected by any notice to the contrary. The Paying Agent and the City shall not have any responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Bonds. The City shall cause to be paid all principal of and interest and premium (if any) on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal, interest and premium (if any) with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the City of written

notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC and the City to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Bonds. In such event, the City shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Bonds evidencing the Bonds to any Depository System Participant having Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Bonds.

SECTION 2.10. *Temporary Bonds.* The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Paying Agent and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Resolution as definitive Bonds executed and delivered hereunder.

SECTION 2.11. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond shall become mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to the City and indemnity satisfactory to it shall be given, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section

and of the expenses which may be incurred by the City and the Paying Agent in the premises. Any Bond issued under the provisions of this Section 2.11 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued pursuant to this Resolution.

Notwithstanding any other provision of this Section 2.11, in lieu of delivering a new Bond for which principal has or is about to become due for a Bond which has been mutilated, lost, destroyed or stolen, the Paying Agent may make payment of such Bond in accordance with its terms.

### ARTICLE III

#### SALE OF BONDS

SECTION 3.01. *Sale of Bonds.* The Bonds shall be sold by competitive bid pursuant to and in accordance with the provisions of the Official Notice of Sale for the Series A Bonds, in substantially the form on file with the City Clerk together with such additions thereto and changes therein as may be approved by a City Representative. The City Council hereby authorizes and directs a City Representative to accept the best responsible bid for the Series A Bonds to be determined in accordance with the related Official Notice of Sale. A City Representative is further authorized and directed to approve of any adjustments to the aggregate Maturity Value of the Series A Bonds, and the principal amount or Maturity Value of any individual maturity thereof, provided that the aggregate Denominational Amount of the Series A Bonds shall be as near to, but not in excess of, the aggregate amount of \$23,000,000.

SECTION 3.02. *Publication of Notice of Intention to Sell Bonds.* Pursuant to Government Code Section 53692, the City hereby approves and authorizes the publication by Bond Counsel of a notice of the City's intention to sell the Bonds, in form and substance acceptable to Bond Counsel, in *The Bond Buyer* once at least fifteen (15) days prior to the date fixed for receipt of bids.

SECTION 3.03. *Official Statement.* The City Council hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the preliminary Official Statement describing the Bonds in the form on file with the City Clerk. A City Representative is hereby authorized, at the request of the Original Purchaser, to execute an appropriate certificate affirming the City Council's determination that the preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the preliminary Official Statement by the Original Purchaser is hereby approved. A City Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a City Representative shall be conclusive evidence of his approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Original Purchaser. The final Official Statement shall be executed in the name and on behalf of the City by a City Representative.

SECTION 3.04. *Furnishing of Official Notice of Sale and Official Statement.* The financial adviser to the City, Project Finance Associates, Inc. is hereby authorized and directed by the City to cause to be furnished to prospective bidders a reasonable number of copies of said Official Notice of Sale and a reasonable number of copies of the Preliminary Official Statement relating to the Bonds.

SECTION 3.05. *Terms and Conditions of Sale.* The terms and conditions of the offering and the sale of the Bonds shall be as specified in said Official Notice of Sale. A City Representative, on behalf of the City, may exercise his or her own discretion and judgment in awarding the sale of the Bonds, and may, in his or her discretion, reject any and all bids and waive any irregularity or informality in any bid. Sale of the Bonds shall be awarded, or all bids shall be rejected, not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the successful bidder.

## ARTICLE IV

### FUNDS AND ACCOUNTS

SECTION 4.01. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the proceeds of sale of the Bonds shall be paid by the Original Purchaser to the City, and shall be applied on the Closing Date as follows: (a) the City shall deposit in the Debt Service Fund an amount equal to the premium (if any) received on the sale of the Bonds; and (b) the City shall deposit the remainder of such proceeds in the Project Fund.

SECTION 4.02. *Project Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the "1999 General Obligation Bond Project Fund". The proceeds from the sale of the Bonds, to the extent required pursuant to Section 4.01(b), shall be deposited by the City in the Project Fund, and shall be expended by the City solely for the payment of (a) Costs of Issuance of the Bonds, and (b) costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended pursuant to the Bond Proposition. All interest and other gain arising from the investment of amounts deposited to the Project Fund shall be retained in the Project Fund and used for the purposes thereof. Any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest and premium (if any) on the Bonds.

SECTION 4.03. *Debt Service Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the "1999 General Obligation Bond Debt Service Fund". All taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the City promptly upon the receipt thereof from the County. The Debt Service Fund shall be pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The moneys in the Debt Service Fund, to the extent necessary to pay

the principal of and interest on the Bonds as the same become due and payable, shall be transferred by the City to the Paying Agent as required to pay the principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, such amounts shall be transferred by the City to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

**SECTION 4.04. *Investments.*** All moneys held in any of the funds or accounts established with the City hereunder shall be invested in accordance with the investment policies of the City, as such policies shall exist at the time of investment, and in accordance with Section 53601 of the California Government Code.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. The City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing proceeds of the Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section 4.04, the term "Fair Market Value" shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

## ARTICLE V

### OTHER COVENANTS OF THE CITY; SECURITY FOR THE BONDS

**SECTION 5.01. *Punctual Payment.*** The City will punctually pay, or cause to be paid, the principal of and interest and premium (if any) on the Bonds in strict conformity with the terms of the Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained shall prevent the City from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Extension of Time for Payment.* In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Resolution, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

SECTION 5.03. *Security for the Bonds.* The Bonds are general obligations of the City payable from the levy of ad valorem taxes upon all property within the City subject to taxation by the City, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon. The City hereby directs the County to levy on all the taxable property in the City, in addition to all other taxes, a continuing direct and ad valorem tax annually during the period the Bonds are Outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due, including the principal of any Bonds upon the mandatory sinking fund redemption thereof pursuant to Section 2.03(b), which moneys when collected will be placed in the Debt Service Fund.

The principal of and interest and premium (if any) on the Bonds shall not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents or employees thereof, and neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof shall be liable thereon. In no event shall the principal of and interest and premium (if any) on the Bonds be payable out of any funds or properties of the City other than ad valorem taxes levied upon all taxable property in the City.

SECTION 5.04. *Books and Accounts; Financial Statement.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the Project. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. *Protection of Security and Rights of Bond Owners.* The City will preserve and protect the security of the Bonds and the rights of the Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

SECTION 5.06. *Tax Covenants.*

(a) Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the City, the Paying Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate Requirement. The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings with respect to the Bonds, if any, to the federal government, to the extent such Section is applicable to the Bonds.

SECTION 5.07. *Continuing Disclosure*. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which shall be executed by a City Representative and delivered on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default by the City hereunder or under the Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

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



## ARTICLE VI

### THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* A City Representative is hereby authorized and directed to designate a Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a certificate to that effect.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the City and the Bond Owners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

SECTION 6.02. *Paying Agent May Hold Bonds.* The Paying Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Agents.* The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Agents.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

SECTION 6.05. *Compensation; Indemnification.* The City shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The City further agrees to indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

## ARTICLE VII

### REMEDIES OF BOND OWNERS

SECTION 7.01. *Remedies of Bond Owners.* Any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

(c) upon the happening and continuation of any default by the City hereunder or under the Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. *Remedies Not Exclusive.* No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bond Owners.

## ARTICLE VIII

### AMENDMENT OF THIS RESOLUTION

SECTION 8.01. *Amendments Effective Without Consent of the Owners.* 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, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to confirm, as further assurance, any pledge under, and to subject 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;

(c) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, which in any event shall not

materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the City; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

SECTION 8.02. *Amendments Effective With Consent of the Owners.* 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 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 of 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 change any of the provisions in Section 7.01 relating to Events of Default, or shall reduce the amount of moneys pledged for the repayment of the Bonds without the consent of all the Owners of such Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

## ARTICLE IX

### MISCELLANEOUS

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

SECTION 9.02. *Defeasance.*

(a) Discharge of Resolution. Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

(i) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem such Bonds; or

(iii) by delivering such Bonds to the Paying Agent for cancellation by it.

If the City shall pay all Outstanding Bonds and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of a City Representative filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the City under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(b) Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The City may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds 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 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice.

(d) Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the City, be repaid to the City free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

SECTION 9.03. *Application of Provisions to Series A Bonds.* Whenever in this Resolution the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the Accreted Value of the Outstanding Series A Bonds determined as of the next succeeding Compounding Date.

In addition, whenever in this Resolution reference is made to the payment of the principal of and interest and premium (if any) on the Bonds, such reference shall include payment of the Accreted Value and Maturity Value of the Series A Bonds, unless otherwise required by the context or express provisions of such reference.

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

Except as otherwise herein expressly provided, the fact and date of the execution by any Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing

acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

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

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

SECTION 9.06. *Destruction of Canceled Bonds.* Whenever in this Resolution provision is made for the surrender to the City of any Bonds which have been paid or canceled pursuant to the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Bonds and the City shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

SECTION 9.07. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the City is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the City hereunder shall be assumed by and vest in the Administrative Services Director of the City in trust for the benefit of the Bond Owners.

SECTION 9.08. *Execution of Documents.* The City Manager, the Administrative Services Director, the City Clerk and any and all other officers of the City are each authorized and directed in the name and on behalf of the City to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

SECTION 9.09. *Effective Date of Resolution.* This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

RESOLUTION NO. \_\_\_\_\_

The undersigned hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the City Council of the City of El Paso de Robles at a regular meeting thereof on the \_\_\_\_\_ day of \_\_\_\_\_, 1999, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk



EXHIBIT A

FORM OF SERIES A BOND

REGISTERED BOND NO. \_\_\_\_\_

Maturity Amount:  
\*\*\*\$\_\_\_\_\_\*\*\*

CITY OF EL PASO DE ROBLES  
1999 GENERAL OBLIGATION BONDS  
(ELECTION OF 1998), SERIES A  
CAPITAL APPRECIATION BONDS

MATURITY DATE:      YIELD TO MATURITY:      DATED DATE:      CUSIP  
August 1, \_\_\_\_\_      \_\_\_\_\_%      \_\_\_\_\_

REGISTERED OWNER:      CEDE & CO.

MATURITY VALUE:

The CITY OF EL PASO DE ROBLES, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value set forth above on the Maturity Date set forth above. The Accreted Value (as such term is defined in the within-mentioned Bond Resolution) of this Bond as of any date shall be determined in accordance with the Table of Accreted Values set forth hereon, representing the principal sum of \$\_\_\_\_\_ per \$5,000 of Maturity Value together with interest thereon from the Dated Date identified above, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000 (each, a "Compounding Date"), on the basis of a 360-day year comprised of twelve 30-day months, at a rate equal to the Yield to Maturity per annum set forth above. The Accreted Value hereof and any redemption premium hereon are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent, initially Union Bank of California, N.A., Los Angeles, California. The Accreted Value hereof and any redemption premium hereon are payable upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent.

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This Bond is one of a series of \$23,000,000 of Bonds (collectively, the "Bonds") issued for the purpose of raising money for the acquisition, construction and improvement of properties to be used for the municipal purposes of the City, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The Bonds consist of \$23,000,000 aggregate original principal amount of capital appreciation bonds designated the "City of El Paso de Robles 1999 General Obligation Bonds (Election of 1998) Series A Capital Appreciation Bonds" (the "Series A Bonds"). The Series A Bonds (the "Bonds") have been issued under authority of and pursuant to the laws of the State of California, and the requisite two-thirds vote of the electors of the City cast at a special bond election held on June 2, 1998, upon the question of issuing Bonds in the aggregate principal amount of \$38,000,000, and pursuant to the resolution of the City Council of the City adopted on April 20, 1999 (the "Bond Resolution"). The Bonds are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount.

The principal of and interest and redemption premium, if any, on this Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the City other than ad valorem taxes levied upon all taxable property in the City.

The Series A Bonds, of which this Bond is one, are issuable only as fully registered Bonds in the Maturity Values of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Series A Bonds of other authorized Maturity Values at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The City and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

The Series A Bonds maturing on or before August 1, 200\_\_\_, are not subject to redemption prior to their respective stated maturities. The Series A Bonds maturing on or after August 1, 200\_\_\_, are subject to redemption prior to maturity as a whole, or in part among maturities on such basis as shall be designated by the City and by lot within a maturity, at the option of the City, from any available source of funds, on August 1, 200\_\_\_, and on any Compounding Date thereafter, at a redemption price (expressed as a percentage of the Accreted Value of Series A Bonds to be redeemed) as set forth in the following table.

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 200___, and February 1, 200___	102.0%
August 1, 200___, and February 1, 200___	101.0
August 1, 200___, and thereafter	100.0

[If applicable:] The Series A Bonds maturing on August 1, 20\_\_ (the "Term Bonds") are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the Accreted Value thereof to be redeemed (without premium); *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000 Maturity Values, as shall be designated pursuant to written notice filed by the City with the Paying Agent.

<u>Sinking Fund Redemption Date (August 1)</u>	<u>Accreted Value To Be Redeemed</u>
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The Paying Agent shall give notice of the redemption of the Series A Bonds at the expense of the City. Such notice shall specify: (a) that the Series A Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Series A Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Series A Bonds including the dated date and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Series A Bond to be redeemed, the portion of the Accreted Value of such Series A Bond to be redeemed, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and compound.

Notice of any redemption of Bonds shall be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Paying Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of accrual and compounding of interest thereon from and after the redemption date.

Neither the City nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the City, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting ad valorem property taxes on all of the taxable property within the City in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the City are hereby pledged.

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

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

IN WITNESS WHEREOF, the City of El Paso de Robles has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of its City Clerk, and has caused the seal of the City to be reproduced hereon, all as of the date stated above.

CITY OF EL PASO DE ROBLES

By \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds described in the Bond Resolution referred to herein.

Date of Authentication: \_\_\_\_\_,  
1999

\_\_\_\_\_, as Paying Agent

By \_\_\_\_\_  
Authorized Signatory

**FORM OF ASSIGNMENT**

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

Dated: \_\_\_\_\_

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

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

SOURCES AND USES OF FUNDS

City of Pasa Robles  
General Obligation Bonds, Series A

Dated Date 07/01/1999  
Delivery Date 07/01/1999

Sources:

<b>Bond Proceeds:</b>	
Par Amount	23,003,290.05
	23,003,290.05

Uses:

<b>Project Fund Deposits:</b>	
Combined Projects	22,798,010.00
<b>Delivery Date Expenses:</b>	
Cost of Issuance	195,000.00
<b>Other Uses of Funds:</b>	
Additional Proceeds	10,280.05
	23,003,290.05

## BOND DEBT SERVICE

City of Paso Robles  
General Obligation Bonds, Series A

Dated Date 07/01/1999  
Delivery Date 07/01/1999

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service
07/01/2000					
07/01/2001					
07/01/2002					
07/01/2003	1,465,196.40	3.900%		244,803.60	1,710,000
07/01/2004	1,480,248.00	3.950%		319,752.00	1,800,000
07/01/2005	1,489,792.15	4.050%		405,207.85	1,895,000
07/01/2006	1,416,588.30	4.200%		478,411.70	1,895,000
07/01/2007	1,348,311.45	4.300%		546,688.55	1,895,000
07/01/2008	1,286,477.60	4.350%		608,522.40	1,895,000
07/01/2009	1,220,285.25	4.450%		674,714.75	1,895,000
07/01/2010	1,155,248.85	4.550%		739,751.15	1,895,000
07/01/2011	1,091,557.90	4.650%		803,442.10	1,895,000
07/01/2012	1,029,345.05	4.750%		865,654.95	1,895,000
07/01/2013	975,451.25	4.800%		919,548.75	1,895,000
07/01/2014	923,471.40	4.850%		971,528.60	1,895,000
07/01/2015	873,424.45	4.900%		1,021,575.55	1,895,000
07/01/2016	825,272.50	4.950%		1,069,727.50	1,895,000
07/01/2017	779,015.55	5.000%		1,115,984.45	1,895,000
07/01/2018	734,634.85	5.050%		1,160,365.35	1,895,000
07/01/2019	692,110.85	5.100%		1,202,889.15	1,895,000
07/01/2020	651,425.20	5.150%		1,243,574.80	1,895,000
07/01/2021	612,520.85	5.200%		1,282,479.15	1,895,000
07/01/2022	575,378.85	5.250%		1,319,621.15	1,895,000
07/01/2023	539,980.25	5.300%		1,355,019.75	1,895,000
07/01/2024	504,913.50	5.350%		1,385,086.50	1,890,000
07/01/2025	474,166.90	5.400%		1,420,833.10	1,895,000
07/01/2026	443,695.30	5.450%		1,451,304.70	1,895,000
07/01/2027	414,777.60	5.500%		1,480,222.40	1,895,000
	23,003,290.05		0	24,086,709.95	47,090,000



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**COST OF ISSUANCE****City of Paso Robles  
General Obligation Bonds, Series A**

<b>Cost of Issuance</b>	<b>\$/1000</b>	<b>Amount</b>
Bond Counsel (Bob Haight)	2.93436	67,500.00
Financial Advisor (PFA)	2.60832	60,000.00
Disclosure Counsel (Foley)	1.06680	25,000.00
Standard & Poor's Rating Fee	0.54340	12,500.00
Fitch Rating Fee	0.43472	10,000.00
POS, OS Printing (Bowne)	0.54340	12,500.00
Paying Agent (Union Bank)	0.04347	1,000.00
Bond Sale Publication Fees	0.03280	750.00
Municipal Statistics	0.03280	750.00
Miscellaneous	0.21736	5,000.00
	<b>8.47705</b>	<b>195,000.00</b>

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## PROJECT FUND

City of Paso Robles  
General Obligation Bonds, Series A

Combined Projects (PROJECTS)

Date	Deposit	Interest @ 5%	Principal	Scheduled Draws	Balance
07/01/1999	22,798,010		3,358,000.00	3,358,000	19,440,010.00
10/01/1999		243,000.13	1,056,999.87	1,300,000	18,383,010.13
01/01/2000		229,787.63	1,120,212.37	1,350,000	17,262,797.76
04/01/2000		215,784.87	1,234,215.03	1,450,000	16,028,582.73
07/01/2000		200,357.28	3,399,642.72	3,800,000	12,828,940.01
10/01/2000		157,861.75	3,692,138.25	3,850,000	8,936,801.76
01/01/2001		111,710.02	2,038,289.98	2,150,000	6,898,511.78
04/01/2001		86,231.40	2,813,788.80	2,900,000	4,084,743.18
07/01/2001		51,059.29	2,948,940.71	3,000,000	1,135,802.47
10/01/2001		14,197.53	1,135,802.47	1,150,000	
	22,798,010	1,309,990.00	22,798,010.00	24,108,000	