

RESOLUTION NUMBER R- 302672

DATE OF FINAL PASSAGE JUNE 13, 2007

BE IT RESOLVED, by the City Council of the City of San Diego, that the issuance of Tax and Revenue Anticipation Notes in a single series [Notes] of the City of San Diego [City] for Fiscal Year 2007-08 is hereby authorized pursuant to Section 92 of the City Charter, together with Article 7.6 [commencing with Section 53850] of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code [collectively, the Authorizing Law], and in accordance with the declarations, conditions and terms set forth in those certain documents on file in the Office of the City Clerk as Document No. RR-302672⁻¹ [Accompanying Document] and Document No. RR-302672⁻² [Note Purchase Agreement], including exhibits thereto, each completed and executed as set forth herein, in an aggregate principal amount not to exceed the lesser of \$130,000,000 or the maximum amount permitted under the Authorizing Law and approval by the Chief Financial Officer.

BE IT FURTHER RESOLVED, that pursuant to California Government Code Sections 53856 and 53857, the resolution authorizing the issuance of the Notes shall specify what taxes, income, revenue, cash receipts or other moneys are pledged for the payment of the Notes, and the Notes and the interest thereon shall be a first lien and charge against, and shall be payable from the first moneys received by the City from, such pledged moneys, and any Note not paid from the taxes, income, revenue, cash receipts or other moneys of the City shall be paid from any other moneys of the City lawfully available therefor.

BE IT FURTHER RESOLVED, that (1) the City pledges Available Revenues [as defined below] and Available Property Taxes [as defined below] as security for the payment of the principal of and interest on the Notes, and (2) the City agrees and covenants to deposit in trust into a special fund to be held by the City for the benefit of the owner of the Notes, designated as the "2007-08 Tax and Revenue Anticipation Notes Set Aside Account" [the "Set Aside Account"], sufficient moneys to

enable the City to pay in full such principal and interest as it becomes due from Property Taxes [as defined below] and other Revenues [as defined herein], and (3) the City agrees and covenants to further establish a special fund to be held by the City for the benefit of the owner of the Notes designated as the 2007-08 Tax and Revenue Anticipation Notes Segregation Account [the "Segregation Account"] for interim deposit of Property Taxes, all in the manner set forth in and otherwise in accordance with the Accompanying Document and the Note Purchase Agreement. If, by the date or dates specified in the Accompanying Document and the Note Purchase Agreement, the amount on deposit in the Set Aside Account is not sufficient to pay the portion of the principal and interest on the Notes required to be on deposit therein on such date or dates, appropriate officers of the City shall thereafter transfer and deposit Revenues to the Set Aside Account so that the amounts in the Set Aside Account are at least equal to the amounts required to pay the principal of and interest on the Notes as they become due. In the manner set forth in and in accordance with the Accompanying Document and the Note Purchase Agreement, (1) the Set Aside Account and all amounts held therein, Available Property Taxes and Available Revenues are hereby pledged and irrevocably set aside to the payment of the Notes, (2) amounts deposited in the Set Aside Account may not be used for any purpose other than payment of the Notes and may be invested in legal investments which are permitted by the California Government Code and which mature not later than the latest maturity date of the Notes; provided that the earnings on any such investment shall be transferred by the City to the City's General Fund, (3) the Segregation Account shall be created and held in trust for the payment of the Notes, and shall be funded, applied, invested and disbursed, and (4) the Notes shall be a first lien and charge against, and shall be payable from the first moneys received by the City from, Available Property Taxes and Available Revenues.

BE IT FURTHER RESOLVED, for purposes of this Resolution, "Revenues", "Available Revenues", "Property Taxes" and "Available Property Taxes" shall have the following meanings. "Revenues" means all legally available taxes, income, revenue, cash receipts and other moneys of the

City attributable to the City's 2007-08 fiscal year, and chargeable to the City's General Fund, and excluding moneys which, when received by the City will be encumbered for a special purpose. "Available Revenues" means (1) with respect to any Set Aside Period [as defined in the Accompanying Document], that portion of Revenues existing on and after the date specified with respect to such Set Aside Period which are required to be deposited in the Set Aside Fund, or (2) on and after May 31, 2008 or any Event of Default, the Revenues, in each case in accordance with the Accompanying Document and the Note Purchase Agreement. "Property Taxes" means that portion of Revenues consisting of ad valorem property taxes payable to, or for the benefit of the City in respect of its 2007-08 fiscal year, but excluding ad valorem property taxes payable to the City pursuant to the "triple flip" adjustment provisions of California law, including California Revenue and Taxation Code Section 97.68. "Available Property Taxes" means (1) with respect to any Set Aside Period [as defined in the Accompanying Document], that portion of Property Taxes on deposit in the Segregation Account or otherwise held by the City existing on and after the beginning of such Set Aside Period, in amounts which are required to be deposited in the Set Aside Fund, or (2) on and after any Event of Default, the Property Taxes, in each case in accordance with the Accompanying Document and the Note Purchase Agreement.

BE IT FURTHER RESOLVED, that the Chief Financial Officer or his designee is hereby authorized to sell the Notes on a private placement basis, without provision of an official statement or other offering document, to Bank of America, N.A. pursuant to the terms and procedures set forth in the Accompanying Document and in the Note Purchase Agreement; provided the Notes shall bear interest at the rate established prior to delivery of the Notes pursuant to the Note Purchase Agreement [subject to adjustment as may be provided in the Note Purchase Agreement], and in no event to exceed six percent, and the aggregate principal amount of the Notes shall be disbursed to the City on the date of delivery of the Notes in accordance with the Note Purchase Agreement and shall not exceed in the aggregate the lesser of \$130,000,000 or the maximum amount permitted under the

Authorizing Law, as certified by the City Treasurer and the Chief Financial Officer pursuant to the completed Accompanying Document and as further approved by the Chief Financial Officer or his designee, his execution of the Accompanying Document to be conclusive evidence thereof.

BE IT FURTHER, RESOLVED, that the Chief Financial Officer or his designee is authorized to execute and deliver the Accompanying Document and the Note Purchase Agreement in substantially the forms attached hereto as Document No. RR 302672-1 and Document No. RR 302672-2, respectively, for and on behalf of the City, each such document to be modified with the approval of the Chief Financial Officer or his designee to reflect the final terms described herein, and as further modified upon the advice of the City Attorney in such manner as facilitates the purchase by Bank of America, N.A. of the Notes in a manner consistent with the Authorizing Law (including modifications related to the portion of Revenues which shall constitute Available Revenues or Available Property Taxes, or the Set Aside Periods, and the funds and accounts established with respect to the Notes), such approval to be conclusively evidenced by such officer's execution thereof.

BE IT FURTHER RESOLVED, that each of the Chief Financial Officer and the City Treasurer, or any designee thereof, is authorized to execute and deliver a Tax Certificate prepared by Bond Counsel obligating the City to comply with certain covenants in order to maintain the exclusion of interest on the Notes from the gross income of the owners thereof for federal income tax purposes.

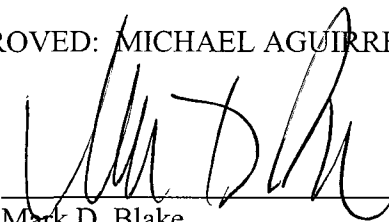
BE IT FURTHER RESOLVED, that the Mayor, the Chief Financial Officer, the City Treasurer and the City Clerk, and their designees, upon advice of the City Attorney and Bond Counsel, are hereby authorized and directed, jointly and severally, to do any and all things and to execute, modify and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to effect the issuance, sale and delivery of the Notes, and otherwise to carry out the purposes of this Resolution.

BE IT FURTHER RESOLVED, that the City Attorney is authorized to execute an agreement with Stradling Yocca Carlson & Rauth, a Professional Corporation to provide bond counsel services in connection with the issuance of the Notes in a fixed amount equal to \$30,000, inclusive of expenses.

BE IT FURTHER RESOLVED, the Financial Advisory Services Agreement by and between the City and Montague, DeRose and Assoc., LLC [MDA] to provide financial advisory services for the Fiscal Year 2008 Tax and Revenue Anticipation Notes on file in the office of the City Clerk as Document No. RR **302672-3** for an amount not to exceed \$40,000 and for any applicable out of pocket expenses for an amount not to exceed \$5,000 is hereby approved and authorized officers of the City are hereby authorized and directed to execute said agreement.

APPROVED: MICHAEL AGUIRRE, City Attorney

By: _____


Mark D. Blake
Chief Deputy City Attorney

MDB:jdf
05/24/07
06/05/07.REV.Copy
Or.Dept:Finance
R-2007-1177

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of JUN - 4 2007

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 6.13.07
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

PERTAINING TO THAT CERTAIN RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN DIEGO ADOPTED _____, 2007, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF TAX AND REVENUE ANTICIPATION NOTES OF THE CITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$130,000,000 FOR THE FISCAL YEAR 2007-08; SPECIFYING THE PURPOSES, TERMS AND CONDITIONS OF SAID NOTES; PRESCRIBING THE FORM OF SAID NOTES; AUTHORIZING CITY OFFICIALS TO TAKE ALL ACTIONS REQUIRED FOR THE ISSUANCE, SALE AND DELIVERY OF SUCH NOTES; AND MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of San Diego [the "City"] has received a report from the City Treasurer and the Chief Financial Officer that the City will experience a cumulative cash flow deficit during the forthcoming fiscal year of 2007-08 [commencing on July 1, 2007], which report is attached hereto as "Exhibit A" [the "Cash Flow Deficit Report"]; and

WHEREAS, such cumulative cash flow deficit is expected to occur as a result of City expenditures exceeding available funds until such time as the proceeds of taxes and revenues of the City for such fiscal year are available; and

WHEREAS, Section 92 of the City Charter of the City [the "City Charter"], together with Article 7.6 [commencing with Section 53850] of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code [collectively, the "Authorizing Law"], authorize the issuance of notes of the City in any fiscal year in anticipation of the collection of taxes and revenues of such fiscal year; and

WHEREAS, such notes are not deemed to be the creation of debt within the meaning of Section 90 of the City Charter; and

WHEREAS, Section 92 of the City Charter limits the total amount of such notes that may be issued in any fiscal year to an amount, in the aggregate, not more than twenty-five (25) percent of the City's total budgeted appropriations for such fiscal year; and

WHEREAS, the Cash Flow Deficit Report recommends the issuance of Tax and Revenue Anticipation notes in an aggregate principal amount not to exceed \$ _____, which amount does not exceed the limitations set forth in the Authorizing Law; and

WHEREAS, the City wishes to authorize the issuance of tax and revenue anticipation notes in a single series, to be purchased by Bank of America, N.A. from the City and evidenced by the single Note, in accordance with the Note Purchase Agreement; and

WHEREAS, the City wishes to authorize the issuance of such notes on the terms set forth herein;

NOW THEREFORE THIS DOCUMENT, TO BE KNOWN AS THE ACCOMPANYING DOCUMENT TO RESOLUTION NO. R-_____, SHALL ACCOMPANY SAID RESOLUTION TO THE SAME EXTENT AND EFFECT AS IF THEREIN INCORPORATED, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall have the meanings herein specified.

"Accompanying Document" means this Accompanying Document to City Council Resolution No. R-_____.

"Authorizing Law" means, collectively, Section 92 of the City Charter and Article 7.6 [commencing with Section 53850], Chapter 4, Part 1, Division 2, Title 5 of the California Government Code.

"Available Revenues" means (1) with respect to any Set Aside Period, that portion of Revenues existing on and after the date specified with respect to such Set Aside Period which are

required to be deposited in the Set Aside Fund, or (2) on and after May 31, 2008 or any Event of Default, the Revenues.

“Available Property Taxes” means (1) with respect to any Set Aside Period, that portion of Property Taxes on deposit in the Segregation Account or otherwise held by the City existing on and after the beginning of such Set Aside Period, in amounts which are required to be deposited in the Set Aside Fund, or (2) on and after any Event of Default, the Property Taxes.

“Bank” means Bank of America, N.A., a national banking association organized and existing under the laws of the United States.

“Bond Counsel” means an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and tax-exempt nature of interest on, obligations issued by states and their political subdivisions.

“Chief Financial Officer” means the duly appointed Chief Financial Officer of the City.

“City” means City of San Diego, a municipal corporation duly organized and existing under the Constitution of the State of California and the City Charter.

“City Charter” means the duly enacted City Charter of the City, as amended.

“City Council” means the duly elected or appointed members of the City Council of the City.

“City Treasurer” means the duly appointed person performing the duties of the City Treasurer of the City.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“First Set Aside Amount” means an amount equal to twenty-five percent (25%) of the total Principal Amount.

“First Set Aside Period” means the period from and including November 30, 2007 to and including December 31, 2007.

“Fourth Set Aside Amount” means an amount equal to one hundred percent (100%) of the total Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 of the Note Purchase Agreement during the First Set Aside Period, the Second Set Aside Period and the Third Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on May 1, 2008.

“Fourth Set Aside Period” means the period from and including May 1, 2008 to and including May 31, 2008.

“Mayor” means the duly elected or appointed Mayor of the City.

“Note Purchase Agreement” means that certain Note Purchase Agreement dated as of July 2, 2007 between the City and the Bank, attached to the Resolution No. R-_____ as Exhibit B.

“Notes” or “Note” means the “City of San Diego, California 2007-08 Tax and Revenue Anticipation Note” in the principal amount of not to exceed \$130,000,000, issued under the Resolution in a single series.

“Principal Amount” means the original principal amount of the Notes.

“Property Taxes” means that portion of Revenues consisting of ad valorem property taxes payable to, or for the benefit of, the City in respect of its 2007-08 fiscal year, but excluding ad valorem property taxes payable to the City pursuant to the “triple flip” adjustment provisions of California law, including without limitation California Revenue and Taxation Code Section 97.68.

“Register” means the book or books of registration kept by the City Treasurer, in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

“Registered Owner” has the meaning specified in Section 4(b).

“Resolution” means, collectively, Resolution No. R-_____ adopted by the City Council, this Accompanying Document, the Note Purchase Agreement, and other exhibits hereto and thereto.

“Revenues” means all legally available taxes, income, revenue, cash receipts and other moneys of the City attributable to the City’s 2007-08 fiscal year, and chargeable to the City’s General Fund, and excluding moneys which, when received by the City will be encumbered for a special purpose.

“Second Set Aside Amount” means an amount equal to fifty-seven percent (57%) of the total Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 of the Note Purchase Agreement during the First Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on January 1, 2008.

“Second Set Aside Period” means the period from and including January 1, 2008 to and including March 31, 2008.

“Segregation Account” means the account of that name described in Section 9(b) hereof.

“Set Aside Account” means the account of that name referenced in Section 9(a) hereof.

“Set Aside Period” means, as the context may require, the First Set Aside Period, the Second Set Aside Period, the Third Set Aside Period or the Fourth Set Aside Period.

“Third Set Aside Amount” means an amount equal to eighty-eight percent (88%) of the total Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 of the Note Purchase Agreement during the First Set Aside Period and the Second Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on April 1, 2008.

“Third Set Aside Period” means the period from and including April 1, 2008 and including April 30, 2008.

Section 2. Proposed Budgeted Appropriations. The total budgeted appropriations for fiscal year 2007-08 as shown by the City’s proposed budget is approximately [\$2,885,000,000]* of which approximately [\$1,103,000,000]* is attributable to the City’s General Fund. Twenty-five percent (25%) of such appropriations is not less than [\$275,000,000]*. The uncollected taxes, income,

revenue, cash receipts and other moneys available for the payment of the Notes is estimated to be not less than [\$1,103,000,000]* (of which not less than [\$385,000,000]* is estimated to be property taxes); eighty-five percent (85%) of such amount is not less than [\$327,000,000]*. The total budgeted appropriations for fiscal year 2006-07 deemed appropriated for fiscal year 2007-08 for purposes of City Charter Section 71a is not less than [\$2,380,000,000]* and the portion of such amount attributable to the General Fund is not less than [\$950,000,000]*, and 25% of such amount is [\$237,500,000]*.

* Preliminary, subject to change.

Section 3. Sale of Notes. The Notes will be sold to the Bank pursuant to the Note Purchase Agreement.

Section 4. Issuance of Notes, Amount, Terms, Interest Rate, Place of Payment.

(a) Pursuant to the Authorizing Law, the Notes are hereby authorized to be issued in an aggregate principal amount not to exceed \$130,000,000 to enable the City to meet its budgeted cumulative cash flow deficit as set forth in the recitals hereof and shall be issued as a single Note in a principal amount not to exceed \$130,000,000. Said Notes shall be designated "City of San Diego, California 2007-08 Tax and Revenue Anticipation Note" and shall be issued in a single note in the denominations of \$1,000,000 or any integral multiple of \$50,000 in excess thereof ["Authorized Denominations"]. The Notes shall be dated the date of issuance thereof which shall be deemed to be the date on which the principal amount of the Notes is funded by the Bank. The Notes shall bear interest on the principal amount outstanding from time to time, mature and be payable on or before a date not later than 13 months from the date of issuance thereof as determined by the City Treasurer and the Mayor or Chief Financial Officer, the City Treasurer's execution thereof to be conclusive evidence of such determination, provided that the interest rate thereon shall be the rate determined in accordance with the Note Purchase Agreement prior to the issuance of the Notes [subject to adjustment as may be provided in the Note Purchase Agreement], in no event to exceed the

maximum rate permitted by law. The principal amount of the Notes shall be noted on the form of the Note in accordance with the Note Purchase Agreement. Interest on the Notes shall be payable at maturity, on June 27, 2008, on earlier date or dates of prepayment, or otherwise, all in accordance with the Note Purchase Agreement.

(b) The Notes shall be initially issued and registered in the name of "Bank of America, N.A.," and shall be evidenced by a single Note. The Notes may be transferred in whole upon compliance with the requirements of Section 7.13(c) of the Note Purchase Agreement. The Bank and such authorized transferee are referenced herein as the "Registered Owner". In the case of any transfer pursuant to subsection (b) of this Section 4, any Note may, in accordance with its terms, be transferred or exchanged for a like principal amount in whole, on the Register required to be kept by the City Treasurer pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer duly executed in a form approved by the City Treasurer. Whenever any Note shall be surrendered for transfer or exchange, the City shall execute and the City Treasurer shall authenticate and deliver a new Note for a like aggregate principal amount. The City Treasurer may require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. In the event the Notes bear interest determined by reference to the Bond Buyer Index, the City Treasurer may provide for registration of the Notes through the DTC system maintained by the Depository Trust Company, in accordance with customary procedures and on such basis as the City Treasurer may determine is necessary and appropriate, to the extent such procedure and DTC system is inconsistent with the balance of the Accompanying Document including the balance of this Section 4, the procedures approved by the City Treasurer shall control.

(c) The Notes shall be initially issued and registered as provided in Section 4(b) hereof. Except to the limited extent set forth in the Note Purchase Agreement with respect to a

transfer to a Qualified Purchaser in accordance with Section 7.13(c) thereof, the Notes are non-negotiable and non-transferable and the Bank shall not have the right to prior to maturity [whether by acceleration or otherwise] sell or transfer the Notes, to create any participation interest in the Notes, to deposit the Notes into any affiliated investment companies or trusts or to otherwise directly or indirectly transfer or assign any interest in the Notes and the foregoing transfer restrictions will be a legend on the Notes.

(d) The City shall be entitled to treat the Bank or other authorized transferee identified under Section 4(b), as applicable, as the Registered Owner of the Notes indicated therein as the absolute owner of such Notes for all purposes under the Resolution and for purposes of payment of principal of and interest on such Notes, notwithstanding any notice to the contrary received by the City.

(e) The City Treasurer or her written designee is hereby authorized and directed to provide any notices or other directions of the City to the Bank pursuant to the Note Purchase Agreement, including without limitation those referred to in Section 2.02 and 2.09 thereof.

Section 5. Execution of Notes. The City Treasurer is hereby authorized and directed to sign, and the City Clerk to attest and to countersign, the Notes, which signatures may be by their printed, lithographed or engraved facsimile signatures, and to affix thereon the seal of the City.

Section 6. Form of Notes. The Notes shall be issued in substantially the form set forth in "Exhibit C" attached hereto and incorporated herein and may be issued in typewritten form, with such changes to designate the final terms as may be approved by the City Treasurer, whose execution thereof shall be final and conclusive.

Section 7. Redemption of Notes. The Notes are subject to redemption prior to the maturity date thereof in accordance with the terms of the Note Purchase Agreement.

Section 8. Use of Proceeds of Notes. The proceeds from the sale of the Notes shall be held by the City and placed into the General Fund of the City upon receipt and said proceeds and any

investment earnings thereon shall be used to meet the budgeted cumulative cash flow deficit of the City pending the receipt of Revenues. At its option, the City may create a separate fund into which proceeds of the Notes will be deposited, pending transfer to the General Fund.

Section 9. Security for Notes: Pledge of Tax Receipts.

(a) As security for the payment of the principal of and interest on the Notes, the City agrees and covenants to deposit in trust into a special fund to be established and held by the City for the benefit of the owner of the Notes, designated as the "2007-08 Tax and Revenue Anticipation Notes Set Aside Account" [the "Set Aside Account"], and segregated from all other funds and accounts of the City sufficient moneys to enable the City to pay in full such principal and interest, as follows: (i) during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the First Set Aside Period and from the first Property Taxes received by the City during the First Set Aside Period, an amount equal to the First Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the First Set Aside Amount by December 20, 2007, thereafter from all Revenues [including Property Taxes] received by the City during the First Set Aside Period; (ii) during the Second Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the First Set Aside Amount during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Second Set Aside Period and from the first Property Taxes received by the City during the Second Set Aside Period, an amount equal to the Second Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Second Set Aside Amount by March 20, 2008, thereafter from all Revenues [including Property Taxes] received by the City during the Second Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the First Set Aside Amount during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Second Set Aside Period and from the first Revenues (including Property Taxes) received by the City during the

Second Set Aside Period, an amount equal to the Second Set Aside Amount; (iii) during the Third Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the Second Set Aside Amount during the Second Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Third Set Aside Period and from the first Property Taxes received by the City during the Third Set Aside Period, an amount equal to the Third Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Third Set Aside Amount by April 20, 2008, thereafter from all Revenues (including Property Taxes) received by the City during the Third Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the Second Set Aside Amount during the Second Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Third Set Aside Period and from the first Revenues [including Property Taxes] received by the City during the Third Set Aside Period, an amount equal to the Third Set Aside Amount; and (iv) during the Fourth Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the Third Set Aside Amount during the Third Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Fourth Set Aside Period and from the first Property Taxes received by the City during the Fourth Set Aside Period, an amount equal to the Fourth Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Fourth Set Aside Amount by May 20, 2008, thereafter from all Revenues [including Property Taxes] received by the City during the Fourth Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the Third Set Aside Amount during the Third Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Fourth Set Aside Period and from the first Revenues [including Property Taxes] received by the City during the Fourth Set Aside Period, an amount equal to the Fourth Set Aside Amount. If by May 31, 2008 the amount on deposit in the Set Aside Account is not sufficient to pay the principal of and interest on the Note as they become due, the City shall thereafter, and in any case

prior to June 30, 2008, transfer and deposit Revenues [including Property Taxes] to the Set Aside Account so that the amounts in the Set Aside Account are at least equal to the amounts required to pay the principal of and interest on the Note as they become due. Except as provided in this Section 9(a), the City shall not deposit any amounts in the Set Aside Account. Anything to the contrary herein notwithstanding, at such time as the City has funded all amounts required to be in the Set Aside Account as of June 30, 2008, it may, for accounting purposes, transfer amounts out of the Set Aside Account so long as it concurrently transfers from other legally available funds an equal amount in to the Set Aside Account. The City hereby pledges all Available Revenues and Available Property Taxes to the payment of the principal of and interest on the Notes. The Set Aside Account and all amounts held therein are hereby pledged and irrevocably set aside to the payment of the Notes. Amounts deposited in the Set Aside Account may not be used for any purpose other than payment of the Notes and may be invested in legal investments which are permitted by the California Government Code and which mature not later than the latest maturity date of the Notes; provided that so long as no Event of Default under the Note Purchase Agreement is continuing, the earnings on any such investment may be transferred by the City to the City's General Fund.

(b) To further assure the Bank of the availability of Property Taxes for the purposes set forth herein, the City covenants and agrees to establish hereunder and hold in trust for the benefit of the owner of the Notes a special fund that is segregated from all other funds and accounts of the City which account shall be designated as the "2007-08 Tax and Revenue Anticipation Notes Segregation Account" [the "Segregation Account"]. The City agrees and covenants to deposit in the Segregation Account all Property Taxes within three (3) business days following the later to occur of (1) receipt thereof from appropriate officials of the County of San Diego and (2) identification to the City by the County Auditor of the amount comprising Property Taxes. The City covenants and agrees that no moneys other than Property Taxes and investment earnings thereon, to the extent credited thereto will be deposited in the Segregated Account.

The City hereby warrants that disbursements of moneys to the City are made periodically by appropriate officials of the County through wire transfer to a City concentration account, that such disbursement typically includes amounts comprising Property Taxes and other amounts [including other ad valorem property tax receipts] not comprising Property Taxes, and that the County Auditor typically sends to the City thereafter an apportionment report which identifies to the City categories of disbursements from which the City can readily identify the portion thereof comprising Property Taxes. Subject to compliance with this Resolution, including Section 9(a) and the Note Purchase Agreement, and so long as no Event of Default under the Note Purchase Agreement is continuing, amounts in the Segregated Account may be used, invested and expended by the City in any lawful manner; provided that the earnings on any such investment shall be transferred by the City to the City's General Fund. During the continuation of an Event of Default, the City shall, if requested by the Bank, transfer all Property Taxes from time to time on deposit in the Segregation Account to the Set Aside Account. Anything to the contrary herein notwithstanding, the City shall be under no obligation to deposit moneys in or to maintain the Segregation Account to the extent there is on deposit in the Set Aside Account the full amount required to be set aside therein to pay the principal of and interest on the Note as they become due in accordance with Section 9(a) hereof.

(c) The City hereby pledges all Available Revenues, Available Property Taxes, the Set Aside Account, and all amounts held therein, [collectively, the "Pledged Property"] to the payment of the principal of and interest on the Notes. This pledge and grant is a first lien and security interest in favor of the owner of the Note, which shall be valid, binding and enforceable from the date of this Agreement and the Pledged Property so pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge and grant shall be valid, binding and enforceable as against the City, its successors, creditors and all others asserting rights therein, to the extent set forth in the Resolution irrespective of whether such

parties have notice thereof, and without the need for physical delivery, recordation, filing or further act.

Section 10. Tax Covenants. The City hereby covenants that it will not take any action or omit to take any action if such action or omission would cause the Notes to be arbitrage bonds, private activity bonds or federally guaranteed obligations within the meaning of the Code, or would otherwise cause interest on the Notes to fail to be excluded pursuant to Section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The City further covenants to comply with the provisions set forth in the Tax Certificate relating to the Notes.

Section 11. Defeasance. The Notes shall no longer be deemed to be outstanding under the Resolution if the City shall have made adequate provision for payment, in accordance with the Notes, the Resolution and the Note Purchase Agreement, of all principal and interest to become due thereon.

Section 12. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued under the Resolution by those who shall be the Registered Owner of the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the City and the owner of the Notes. The pledge made in the Resolution and the covenants and agreements set forth in the Resolution to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the owner of the Notes.

Section 13. Amendments.

(a) The Resolution may be amended by a supplemental resolution adopted by the City Council with the written consent of the owner of one hundred percent of the principal amount of the Notes outstanding.

(b) Subject to the terms of the Note Purchase Agreement, the Resolution may also be amended by a supplemental resolution adopted by the City Council and legally effective in accordance with the City Charter without the consent of any owners of the Notes, provided that such supplemental resolution does not adversely affect the interests of the owners of the Notes.

Section 14. Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day (as defined in the Note Purchase Agreement), such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Section 15. Severability. Except as otherwise provided in the Note Purchase Agreement, if any one or more of the provisions of the Resolution shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the decision, finding, order or decree of which becomes final, none of the remaining provisions of the Resolution shall be affected thereby, and such provisions shall be valid and enforceable to the fullest extent permitted by law.

Section 16. Certified Copies. The City Clerk shall provide a certified copy of this Accompanying Document to the City Treasurer who is hereby authorized and directed to take such action as shall be necessary to assure compliance by the City with the terms and conditions hereof.

CITY OF SAN DIEGO

By: _____
Jay M. Goldstone
Its: Chief Financial Officer

APPROVED:

MICHAEL AGUIRRE, City Attorney

By: _____
Mark D. Blake
Chief Deputy City Attorney

EXHIBIT A

**REPORT OF CITY TREASURER AND CHIEF FINANCIAL OFFICER
REGARDING CASH FLOW DEFICIT**

The undersigned, City Treasurer of the City of San Diego (the "City") and Chief Financial Officer of the City hereby certify as follows:

Based upon the computations of the Chief Financial Officer, the City expects to experience a cumulative cash flow deficit for Fiscal Year 2007-08 on or about _____, 2007 in the amount of [\$ _____], pursuant to detailed bi-weekly cash flow derived from the cash flow schedule attached hereto. The budgeted appropriations for Fiscal Years 2006-07 and 2007-08 and the revenues anticipated to be available for repayment of the Notes are not less than those set forth in Section 2 of the completed Accompanying Document No. RR-_____-1 to Resolution No. R-_____ of which this exhibit is a part. We hereby recommend issuance of the Notes in an aggregate principal amount not to exceed \$ _____ or the amount permitted by the Authorizing Law as evidenced by a certificate of the City Treasurer and Chief Financial Officer in a form and substance approved by Bond Counsel, consistent with federal tax rules governing issuance of tax and revenue anticipation notes.

Dated: July 2, 2007

CITY OF SAN DIEGO

By: _____
Gail R. Granewich
Its: City Treasurer

By: _____
Jay M. Goldstone
Its: Chief Financial Officer

NAME OF ISSUER: CITY OF SAN DIEGO
Period Covered: Fiscal Year 2006-2007
Cash Flow Statement Through June 30, 2007 (Estimated after April 30, 2007)
CASH FLOW SUMMARY (In Thousands)

MONTH	July/August	September	October	November	December	January	February	March	April	May	June	Totals
Beginning Balance ¹	\$ 92,166	\$ 49,072	\$ 37,437	\$ 8,703	\$ 17,044	\$ 31,616	\$ 75,292	\$ 70,120	\$ 77,834	\$ 106,115	\$ 167,377	XXXXXXXXXX
RECEIPTS:												
Property Tax	9,095	2,827	5,327	6,464	91,863	82,130	4,079	12,598	68,546	69,470	10,376	362,775
Triple Flip						28,282				28,282		56,564
Sales Tax	28,466	14,311	11,793	15,725	16,803	11,923	15,742	15,160	10,688	14,724	15,711	171,046
Safety Sales Tax	1,429	645	638	618	732	647	556	859	586	614	732	8,056
Transient Occupancy Tax	5,275	9,765	10,046	4,761	7,369	7,763	4,213	6,600	5,833	6,402	11,218	79,245
Property Transfer Tax	1,691		796		656	592	1,606	645	519	880	354	7,739
Licenses and Permits	4,590	1,887	2,098	2,206	1,708	1,774	4,321	5,259	2,395	2,082	3,407	31,727
Fines, Forfeiture and Penalties	2,136	2,497	2,643	1,762	3,408	5,695	2,538	1,435	1,205	2,390	10,319	36,028
Revenue from Use of Money and Property	252	689	760	215	794	633	376	308	1,212	31	730	6,000
Franchise Fees	12,926	1,866	2,773	12,481	(46)	2,566	1,972	13,625	2,306	10,684	2,864	64,017
Rents and Concessions	7,216	4,423	3,354	2,503	1,948	2,147	1,293	2,179	2,880	2,769	900	31,612
Motor Vehicle License Fees	2,178	1,432	480	690	295	547	827	322	941	972	705	9,389
Revenue from Other Agencies	1,338	75	1,289	82	5,451	230	1,887	306	168	245	35	11,106
Charges for Current Services	9,924	5,727	6,490	6,296	7,703	5,319	6,991	9,600	20,961	8,505	11,038	98,554
Other Financing Sources	1,000	9,220	1,227	8,552		97	7,279	1,748	14,550	7,536	14,551	65,760
Other Revenue	418	223	269	80	323	266	244	149	165	70	176	2,383
Bank of America Note	142,000											142,000
Note Interest												
TOTAL RECEIPTS:	229,934	55,587	49,983	62,435	139,007	150,611	53,924	70,793	132,955	155,656	83,116	1,184,001
DISBURSEMENTS:												
Salaries/Wages	74,420	36,740	35,142	34,822	53,285	35,406	34,839	34,917	34,816	37,485	50,550	462,422
Retirement Advance ²	126,465											126,465
Fringe Benefits	25,630	5,253	9,830	9,364	18,420	8,033	9,149	8,430	9,904	9,756	11,985	125,754
Services/Supplies	30,043	14,974	21,702	20,386	16,159	11,022	10,161	10,430	14,554	24,388	29,664	203,483
Data Processing	5,924	1,221	4,427	934	1,016	852	4,351	1,199	1,040	1,882	3,190	26,036
Energy	4,930	1,531	2,400	2,999	1,486	2,904	2,411	2,399	1,535	1,590	2,001	26,186
Capital Outlay	2,174	869	1,365	3,097	614	1,122	598	3,533	591	1,253	423	15,639
Note Principal					35,500	45,440			44,020	17,040		142,000
Note Interest			1,485		1,518				1,485		1,502	5,990
TOTAL DISBURSEMENTS	269,586	60,588	76,351	71,602	127,998	104,779	61,509	60,908	107,945	93,394	99,315	1,133,975
Ending Balance	\$ 52,514	\$ 44,071	\$ 11,069	\$ (464)	\$ 28,053	\$ 77,448	\$ 67,707	\$ 80,005	\$ 102,844	\$ 168,372	\$ 151,178	
Policy & Rate Stabilization Fund Transactions	(3,442)	(6,634)	(2,366)	17,508	3,563	(2,156)	2,413	(2,171)	3,271	(1,000)	(8,555)	
Ending Balance	\$ 49,072	\$ 37,437	\$ 8,703	\$ 17,044	\$ 31,616	\$ 75,292	\$ 70,120	\$ 77,834	\$ 106,115	\$ 167,377	\$ 142,623	
SET-ASIDE FUND ³												
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,500	\$ 80,940	\$ 80,940	\$ 80,940	\$ 124,960	\$ 142,000	\$ -
Receipts					37,018	45,440			45,505	17,040	1,502	147,990
Disbursements					1,518				1,485			4,488
Ending Balance ⁴	\$ -	\$ -	\$ -	\$ -	\$ 35,500	\$ 80,940	\$ 80,940	\$ 80,940	\$ 124,960	\$ 142,000	\$ 143,502	\$ -

¹ The beginning balance is comprised of General Fund cash balance and other policy funds available to the General Fund as determined by a tax analysis for the purposes of TRAN. The General Fund cash balance is \$36.0 million; other policy funds include the Rate Stabilization Reserves (\$19.7 million), Public Liability Fund (\$14.1 million), Capital Outlay Funds (\$3.0 million), and other funds totaling \$19.4 million.

² General Fund portion of the FY 2007 ARC payment to SDCIERS

³ Set Aside Fund amounts based on FY 2006-07 Note Purchase Agreement Set Aside Periods and Amounts.

⁴ Includes an estimated interest payment of \$1,502,000 for July 2007.

Source: City of San Diego - Department of Finance

* Preliminary, subject to change

R. 302672

NAME OF ISSUER: CITY OF SAN DIEGO
Period Covered: Fiscal Year 2007-08

CASH FLOW SUMMARY* (in Thousands)*

Month	JULY/AUGUST	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MARCH	APRIL	MAY	JUNE	Totals
Beginning Balance ⁽¹⁾	\$ 142,622	\$ 83,349	\$ 62,612	\$ 34,429	\$ 3,433	\$ 61,148	\$ 117,485	\$ 95,656	\$ 110,329	\$ 132,699	\$ 155,394	XXXXXX
RECEIPTS:												
Property Tax	9,702	3,016	5,683	6,896	97,994	87,219	4,352	13,439	72,437	73,713	11,753	386,204
Triple Flip	28,348	16,786	12,287	16,382	17,186	12,635	16,847	15,901	11,221	14,962	29,945	59,889
Sales Tax	1,478	664	660	637	754	668	572	883	655	602	814	8,387
Safety Sales Tax	5,551	10,274	10,570	5,010	7,753	8,168	4,433	6,945	6,137	6,736	11,805	83,382
Transient Occupancy Tax	1,465	2,050	757	551	623	563	975	714	-	2,262	876	7,609
Property Transfer Tax	4,985	2,410	2,279	2,395	1,855	1,926	4,693	5,711	2,602	2,262	3,699	34,457
Licenses and Permits	3,562	2,410	2,551	1,700	3,289	5,496	2,450	1,385	1,163	2,306	3,760	34,769
Fines, Forfeiture and Penalties	1,162	1,175	1,192	496	1,271	901	868	710	1,736	573	3,760	13,844
Revenue from Use of Money and Property	13,773	1,988	2,955	13,249	-	2,735	2,101	14,519	2,458	11,386	3,051	68,215
Franchise Fees	8,767	5,374	4,075	3,040	2,367	462	1,571	2,648	3,498	3,363	1,093	38,405
Rents and Concessions	1,841	1,210	406	584	250	462	699	273	795	821	597	7,938
Motor Vehicle License Fees	460	26	196	76	76	79	646	105	184	84	95	7,203
Revenue from Other Agencies	10,915	6,298	7,138	8,424	6,972	5,850	7,689	10,558	23,052	10,855	10,640	108,391
Charges for Current Services	14,691	8,910	-	-	10,980	-	-	8,910	-	-	35,085	78,576
Other Financing Sources	235	125	151	45	182	149	137	84	92	39	100	1,339
Other Revenue	116,000	-	50,900	64,661	151,552	159,404	48,033	82,785	126,030	158,732	108,494	1,160,000
Bank of America Note	222,935	60,306	-	-	-	-	-	-	-	-	-	\$ 1,233,832
TOTAL RECEIPTS	222,935	60,306	50,900	64,661	151,552	159,404	48,033	82,785	126,030	158,732	108,494	\$ 1,233,832
DISBURSEMENTS:												
Salaries/Wages	76,494	38,625	36,952	55,357	37,288	37,229	36,636	36,725	36,608	58,141	36,088	486,143
Retirement Advance	135,128 ⁽²⁾	-	-	-	-	-	-	-	-	-	-	135,128
Fringe Benefits	16,363	10,176	9,891	14,120	9,158	7,879	9,087	9,453	8,116	12,565	28,746 ⁽³⁾	135,554
Services/Supplies	43,705	19,501	20,884	19,364	15,850	17,589	15,375	13,443	17,375	49,353	34,943	267,382
Data Processing	7,312	3,028	3,028	3,028	3,785	3,028	3,028	3,028	3,028	3,028	4,038	39,359
Energy	4,014	1,548	3,306	1,975	1,483	2,750	2,408	2,300	2,081	1,545	2,041	25,451
Capital Outlay	1,358	543	853	1,934	384	701	373	2,207	369	783	265	9,770
Note Principal	-	-	-	-	29,000	37,120	-	-	35,960	13,920	-	116,000
Note Interest Expenditure	561	-	-	-	-	-	-	-	-	-	4,443	5,004
TOTAL DISBURSEMENTS	284,935	73,421	74,914	95,778	96,948	106,296	66,907	67,156	103,537	139,335	110,564	\$ 1,219,791
Ending Balance	\$ 80,622	\$ 70,234	\$ 38,598	\$ 3,312	\$ 3,111	\$ 3,229	\$ 98,611	\$ 111,285	\$ 132,822	\$ 152,096	\$ 153,324	\$ 153,324
Policy & Rate Stabilization Fund Transactions	2,727	(7,622)	(4,169)	121	3,111	3,229	(2,955)	(956)	(123)	3,298	(885)	(885)
Ending Balance	\$ 83,349	\$ 62,612	\$ 34,429	\$ 3,433	\$ 61,148	\$ 117,485	\$ 95,656	\$ 110,329	\$ 132,699	\$ 155,394	\$ 152,439	\$ 152,439
SET ASIDE FUND												
Beginning Balance	\$ 143,502 ⁽⁴⁾	\$ 20	\$ 20	\$ 20	\$ 20	\$ 29,095	\$ 66,410	\$ 66,661	\$ 66,930	\$ 103,263	\$ 117,640	\$ 143,502
Receipts	561 ⁽⁵⁾	-	-	-	29,000 ⁽³⁾	37,120 ⁽⁵⁾	-	-	35,960 ⁽³⁾	13,920 ⁽³⁾	4,443	121,004
Note Interest Earning	581 ⁽⁶⁾	-	-	-	75	195	251	269	373	457	6,542	2,660
Disbursements	144,624	-	-	-	-	-	-	-	-	-	-	151,166
Ending Balance	\$ 20	\$ 20	\$ 20	\$ 20	\$ 29,095	\$ 66,410	\$ 66,661	\$ 66,930	\$ 103,263	\$ 117,640	\$ 116,000	\$ 116,000

(1) The beginning cash balance is comprised of the General Fund cash balance and other policy funds available to the General Fund as determined by a tax analysis for the purposes of TRAN. The General Fund cash balance is estimated at \$86.2 million; other policy funds include the Rate Stabilization Reserves (\$17.8 million), Public Liability Fund (\$3.0 million), and other funds totaling \$28.0 million.

(2) The General Fund's portion of the FY 2008 Retirement Contribution to SDCERS. The Retirement Contribution is made up of 3 components, ARC (\$137.7 million), ARC+ (\$20 million), and Payback of Pension Assets (\$7.3 million) for a total Retirement expense of \$165.0 million. The General Fund's portion is 82% of that total, \$135.1 million.

(3) Set Aside amounts based on FY 2007-2008 Note Purchase Agreement Set Aside Periods and Amounts

(4) Includes a principal payment of \$142 million and an estimated interest payment of \$1.5 million for the prior year's TRAN.

(5) Estimated interest expense for the month of July on the prior year's TRAN.

(6) Estimated interest earnings on the FY07 note Set-Aside for the month of July

(7) GASB 45 OPEB payment projected to be made in June 2008

Source:

* Preliminary, subject to change.

R-302672

EXHIBIT B

NOTE PURCHASE AGREEMENT

\$130,000,000

NOTE PURCHASE AGREEMENT

between

CITY OF SAN DIEGO

and

BANK OF AMERICA, N.A.

Dated as of July 2, 2007

Table of Contents

Page No.

ARTICLE I DEFINITIONS	1
Section 1.01 Definitions.....	1
Section 1.02 Construction.....	8
ARTICLE II NOTE	8
Section 2.01 Committed Amount	8
Section 2.02 Pricing.....	8
Section 2.03 Disbursement of Proceeds.....	9
Section 2.04 Note.....	9
Section 2.05 Interest.....	9
Section 2.06 Increased Costs	10
Section 2.07 Compensation	11
Section 2.08 Change of Applicable Lending Office.....	11
Section 2.09 Prepayments.....	11
Section 2.10 Set Aside Account; Segregation Account; Security Interest.	11
Section 2.11 Method and Place of Payment	14
Section 2.12 Net Payment.....	14
Section 2.13 BofA Records.....	14
ARTICLE III CONDITIONS PRECEDENT	14
Section 3.01 Conditions to BofA's Entering Into Agreement.....	14
Section 3.02 Conditions to Purchase	15
Section 3.03 Satisfaction.....	16
ARTICLE IV REPRESENTATIONS OF THE CITY	16
Section 4.01 Valid Existence	16
Section 4.02 Authorization and Validity	16
Section 4.03 Compliance with Laws and Contracts	16
Section 4.04 Litigation.....	16
Section 4.05 No Event of Default.....	17
Section 4.06 Cash Flow Projections	17
Section 4.07 Reappropriations for Salaries, Wages, Maintenance and Support Expenses	17
Section 4.08 Regulatory Approvals.....	17
Section 4.09 Prospective Change in Law	17
Section 4.10 Sovereign Immunity.....	17
Section 4.11 Priority of Security Interest.....	17
Section 4.12 Resolution	17
ARTICLE V COVENANTS OF THE CITY	18
Section 5.01 Notice of Default.....	18
Section 5.02 Compliance With Laws.....	18
Section 5.03 Resolution	18
Section 5.04 No Impairment.....	18

Table of Contents

Page No.

Section 5.05 Budgets; Financial Statements; Reports, Certificates and Other Information	18
Section 5.06 Inspection Rights	19
Section 5.07 Use of Proceeds.....	19
Section 5.08 Existence.....	19
Section 5.09 Indebtedness and Liens.....	20
Section 5.10 Assignments.....	20
Section 5.11 Further Assurances.....	20
ARTICLE VI EVENTS OF DEFAULT; REMEDIES.....	20
Section 6.01 Events of Default	20
Section 6.02 Remedies.....	22
Section 6.03 No Waiver; Cumulative Remedies	22
ARTICLE VII MISCELLANEOUS.....	22
Section 7.01 Amendments	22
Section 7.02 Assignments.....	22
Section 7.03 Governing Law; Waiver of Jury Trial; Judicial Reference.....	22
Section 7.04 Severability	23
Section 7.05 Counterparts.....	23
Section 7.06 Expenses	23
Section 7.07 Indemnification.....	23
Section 7.08 Termination of the Agreement.....	25
Section 7.09 Notice.....	25
Section 7.10 Holidays.....	26
Section 7.11 Survival.....	26
Section 7.12 No Liability.....	26
Section 7.13 BofA's Representations	26

EXHIBITS

Exhibit A	Form of Purchase Notice
Exhibit B	Form of Rate Notice
Exhibit C	Form of Acceptance Notice
Exhibit D	Form of Qualified Purchaser Investment Representation Letter

This NOTE PURCHASE AGREEMENT, dated as of July 2, 2007, is entered into by and between the CITY OF SAN DIEGO, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California and its charter (the "City"), and BANK OF AMERICA, N.A., a national banking association ("BofA").

W I T N E S S E T H:

WHEREAS, the City desires to sell a note in anticipation of its receipt of future tax payments in order to support its cash flow needs; and

WHEREAS, BofA is willing, on the terms and conditions contained herein, to purchase the note described herein from the City.

NOW, THEREFORE, in consideration of the respective agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

"Acceptance Notice" has the meaning assigned to that term in Section 2.02 hereof.

"Accompanying Document" means Accompanying Document No. RR-_____, including exhibits thereto, on file in the Office of the City Clerk, which document accompanies Resolution No. R-_____, adopted by the City Council on June __, 2007.

"Affiliate" means, with respect to a specified Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with such specified Person. "Control" means the power, directly or indirectly, to direct or cause the direction of the management and policies of another Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Note Purchase Agreement, as amended, modified and supplemented from time to time.

"Annual Appropriation Ordinance" means an annual appropriation ordinance of the type described in Section 71 of the City Charter.

"Applicable Lending Office" means the office of BofA at which the Note is carried on the books and records of BofA.

"Applicable Margin" means, (a) for each day from and after the Effective Date to but excluding the date on which a Rating Action occurs, 0.50%; and (b) for each day from and after the date on which a Rating Action occurs, the percentage per annum set forth below opposite the rating level applicable on such date to the City's un-enhanced long-term general obligation

indebtedness (or, (i) in the event of split ratings at a time when each of Fitch, Moody's and S&P is rating the City's un-enhanced long-term general obligation indebtedness, the lowest of the three rating levels shall be the applicable rating level (or, if any such rating is below Baa2/BBB/BBB, the applicable rating level shall be Level 3); (ii) in the event of split ratings at a time when any two of Fitch, Moody's and S&P is rating the City's un-enhanced long-term general obligation indebtedness, the lower of the two rating levels shall be the applicable rating level (or, if any such rating is below Baa2/BBB/BBB, the applicable rating level shall be Level 3); and (iii) if any two of Fitch, Moody's and S&P has suspended its rating of the City's un-enhanced long-term general obligation indebtedness, the applicable rating level shall be Level 3 irrespective of the rating of level of the remaining rating agency):

Applicable Rating Level Moody's/Fitch/S&P	Applicable Margin
Between and including: Aaa/AAA/AAA and Aa3/AA-/AA- (Level 1)	0.43%
Between and including: A1/A+/A+ and A3/A-/A- (Level 2)	0.45%
Either of: Baa1/BBB+/BBB+ or Baa2/BBB/BBB (Level 3)	0.50%

Notwithstanding the foregoing, the Applicable Margin set forth above shall be increased by 2.00% per annum for each applicable rating level, upon the occurrence and during the continuance of any Event of Default. For the avoidance of doubt, at the Effective Date, the applicable ratings for the City's un-enhanced long-term general obligation indebtedness are as follows: Moody's, A3; Fitch, BBB+; and S&P, suspended.

"Appropriation Date" means the date on which the Annual Appropriation Ordinance that gives effect to the expenditures set forth in the Budget For Fiscal Year 2007/2008 is adopted.

"Authority Law" means Section 92 of the City Charter and California Government Code Sections 53850 to 53858 (inclusive).

"Authorized Representative" means any of the following officers of the City: the Mayor, the Chief Financial Officer, the City Treasurer and any individual designated in writing to BofA as an Authorized Representative by the Mayor, the Chief Financial Officer or the City Treasurer.

"Available Property Taxes" means (1) with respect to any Set Aside Period, that portion of Property Taxes on deposit in the Segregation Account or otherwise held by the City existing on and after the beginning of such Set Aside Period, in amounts which are required to be deposited in the Set Aside Fund, or (2) on and after any Event of Default, the Property Taxes.

“Available Revenues” means (1) with respect to any Set Aside Period, that portion of Revenues existing on and after the date specified with respect to such Set Aside Period which are required to be deposited in the Set Aside Fund, (2) from and after May 31, 2008, all Revenues and/or (3) on and after any Event of Default, the Revenues.

“Base Rate” means on any day the greater of (a) BofA’s U.S. prime rate in effect for such day (as such U.S. prime rate is announced from time to time by BofA); and (b) the Federal Funds Rate for such day plus 0.5% per annum. BofA’s prime rate is based on various factors, including BofA’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. Each change in the Base Rate shall take effect at the time of such change in such U.S. prime lending rate or the Federal Funds Rate, as the case may be. All calculations based upon BofA’s U.S. prime rate shall be made on the basis of actual days elapsed and a year of 365/366 days, as the case may be, and all calculations based upon the Federal Funds Rate shall be made on the basis of actual days elapsed and a year of 360 days. For the avoidance of doubt, as provided in Section 2.05(c), the Base Rate is intended to be the interest rate option for late payments of amounts due under this Agreement other than the principal of and interest on the Note.

“BofA” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“BofA Indebtedness” has the meaning assigned to that term in Section 6.01(d)(i)(B) hereof.

“Bond Buyer Index” has the meaning assigned to that term in Section 2.02 hereof.

“Budget For Fiscal Year 2007/2008” means the proposed budget for Fiscal Year 2007/2008 prepared by the Mayor in accordance with Section 69 of the City Charter.

“Business Day” means any day of the year (i) other than a Saturday; (ii) other than a Sunday; (iii) on which banks located in the city where BofA’s Applicable Lending Office is located are not required or authorized to close; and (iv) on which banks located in San Diego, California are not required or authorized to close.

“Cash Flow Projections” has the meaning assigned to that term in Section 3.02(b)(vii) hereof.

“City” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“City Charter” means the charter of the City as in effect on July 2, 2007.

“Committed Amount” means \$130,000,000.

“Cost of Funds Rate” means, as of any time and date of determination, 62.347% of BofA’s non-published internal cost of borrowing at that time and date of an amount equal to the Principal Amount with a tenor commencing on July 2, 2007 and ending on August 1, 2008.

“Default” means the occurrence of any event or the existence of any circumstances that, with the passage of time, the giving of notice, or both, would become an Event of Default.

“Dollars” and “\$” means the lawful currency of the United States of America.

“Effective Date” means July 2, 2007.

“Event of Default” has the meaning assigned to that term in Section 6.01 hereof.

“Excess Interest” has the meaning assigned to that term in Section 2.05(e) hereof.

“Federal Funds Rate” means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be the rate applicable to such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to BofA on such day by three Federal funds brokers selected by BofA.

“First Set Aside Amount” means an amount equal to twenty-five percent (25%) of the Principal Amount.

“First Set Aside Period” means the period from and including November 30, 2007 to and including December 31, 2007.

“Fiscal Year 2007/2008” means the fiscal year of the City commencing on July 1, 2007 and ending on June 30, 2008.

“Fitch” means Fitch Inc., and its successors and assigns.

“Fourth Set Aside Amount” means an amount equal to one hundred percent (100%) of the Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 during the First Set Aside Period, the Second Set Aside Period and the Third Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on May 1, 2008.

“Fourth Set Aside Period” means the period from and including May 1, 2008 to and including May 31, 2008.

“General Fund Indebtedness” has the meaning assigned to that term in Section 6.01(d)(i)(A) hereof.

“Indebtedness” means, without duplication, (i) bonds, notes and other evidences of indebtedness of the City; (ii) to the extent not included in clause (i) above, obligations of the City for borrowed money or for the deferred or installment purchase price of property or services,

including, without limitation, certificates of participation; (iii) to the extent not included in clauses (i) and (ii) above, obligations of the City to pay lease rental in respect of certificates of participation and lease revenue bonds the proceeds of which were made available to the City; (iv) the face amount of all letters of credit issued for the account of the City and all drafts drawn thereunder; (v) all liabilities secured by any Lien on any property owned by the City, whether or not such liabilities have been assumed by the City; (vi) the aggregate amount required to be capitalized under leases under which the City is the lessee and (vii) all Contingent Obligations of the City. As used in this definition, the term "Contingent Obligation" means, as to the City, any obligation of the City guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the City, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the holder of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"Indemnitee" has the meaning assigned to that term in Section 7.07(a) hereof.

"Insolvency Event" means occurrence and continuance of one or more of the following events: the City shall (a) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code (the "Bankruptcy Code") or any other federal, state or foreign bankruptcy, insolvency or similar law, (b) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (c) apply for or consent to the appointment of a receiver, trustee, custodian, liquidator, assignee, sequestrator or similar official for itself or for a substantial part of its property, (d) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (e) make a general assignment for the benefit of creditors, (vi) become unable to pay its debts as they become due, admit in writing its inability to pay its debts as they become due or fail to pay its debts as they become due, (f) declare a moratorium on the payment of its debts or (g) take action for the purpose of effecting any of the foregoing, including, without limitation, the adoption by the City Council of a resolution to take, or to cause any elected official or officer of the City to take, any such action. Notwithstanding anything to the contrary contained in this defined term, the appointment, or action seeking the appointment, of a receiver for the assets and liabilities of the City's employee retirement system (SDCERS) shall not be considered an Insolvency Event.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

“Margin Stock” has the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System.

“Maturity Date” means August 1, 2008.

“Maximum Rate” means the maximum rate of interest permitted by State law.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns.

“Note” has the meaning assigned to that term in Section 2.01 hereof.

“Notice” or “notice” means any form of written communication or a communication by means of electronic mail, facsimile device, telegraph or cable.

“Notice Office” means the office of BofA located at 333 South Hope Street, 13th Floor, Mail Code: CA9-193-13-17, Los Angeles, California or such other office or mail code as BofA may hereafter designate in writing as such to the City. Any Notice of a change in the Notice Office shall become effective on the fifth day after the delivery of Notice thereof to the City.

“Obligations” shall mean all amounts owing to BofA pursuant to the terms of this Agreement and the Note.

“Payment Account” means Credit Account: 15921-83980 maintained with Bank of America, GCIB Credit Services, Mail Code: CA9-702-05-73, New York ABA #026009593, For Further Credit to: City of San Diego, Obligor 16-389470, Facsimile Number: (626) 666-6766, or such other account as Bank of America may hereafter designate in writing as such to the City. Any Notice of a change in the Payment Account shall become effective on the fifth day after the delivery of Notice thereof to the City.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

“Pledged Property” has the meaning assigned to that term in Section 2.10(c) hereof.

“Principal Amount” has the meaning assigned to that term in Section 2.02 hereof.

“Property Taxes” means that portion of Revenues consisting of ad valorem property taxes payable to, or for the benefit of, the City in respect of Fiscal Year 2007/2008, but excluding ad valorem property taxes payable to the City pursuant to the “triple flip” adjustment provisions of California law, including without limitation California Revenue and Taxation Code Section 97.68.

“Purchase Date” means the date, which shall be a Business Day, on which BofA is required to purchase the Note as set forth in the Purchase Notice.

“Purchase Notice” has the meaning assigned to that term in Section 2.02 hereof.

“Rate Notice” has the meaning assigned to that term in Section 2.02 hereof.

“QIB” means a “qualified institutional buyer” as such term is defined in Rule 144A promulgated by the Securities Exchange Commission pursuant to the Securities Act of 1933, as amended.

“Qualified Purchaser” means a trust or other pass-through entity formed, created or established by BofA or any Affiliate thereof to purchase the Note from BofA and to issue tender option derivative securities therein as long as such trust or other pass-through entity has no more than twelve (12) beneficiaries, each of whom is a QIB.

“Rating Action” means any upgrade, downgrade, suspension or withdrawal of rating(s) by any of Fitch, Moody’s or S&P with respect to the City’s un-enhanced long-term general obligation indebtedness that occurs after the Effective Date.

“Related Documents” means the Purchase Notice, the Rate Notice, the Acceptance, the Note and the Resolution.

“Resolution” means Resolution No. R-_____ adopted by the City Council on June __, 2007, including Accompanying Document No. RR-_____, as amended, modified and supplemented from time to time.

“Revenues” means all legally available taxes, income, revenue, cash receipts, and other moneys of the City attributable to the Fiscal Year 2007/2008 and chargeable to the City’s General Fund, and excluding moneys which, when received by the City, will be encumbered for a special purpose.

“S&P” means Standard & Poor’s, a division of The McGraw Hill Companies, Inc., and its successors and assigns.

“Second Set Aside Amount” means an amount equal to fifty-seven percent (57%) of the Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 during the First Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on January 1, 2008.

“Second Set Aside Period” means the period from and including January 1, 2008 to and including March 31, 2008.

“Segregation Account” has the meaning assigned to that term in Section 2.10(b) hereof.

“Set Aside Account” has the meaning assigned to that term in Section 2.10(a) hereof.

“Set Aside Period” means, as the context may require, the First Set Aside Period, the Second Set Aside Period, the Third Set Aside Period or the Fourth Set Aside Period.

“State” means the State of California.

“Taxes” has the meaning assigned to that term in Section 2.12 hereof.

“Third Set Aside Amount” means an amount equal to eighty-eight percent (88%) of the Principal Amount less the sum of (i) the principal amount of any prepayments made pursuant to Section 2.09 during the First Set Aside Period and the Second Set Aside Period and (ii) the balance of the Set Aside Account at the City’s opening of business on April 1, 2008.

“Third Set Aside Period” means the period from and including April 1, 2008 to and including April 30, 2008.

“Treasurer” means the individual who from time to time occupies the office of the City Treasurer.

“TRAN” means a note (other than the Note) issued by the City during the period commencing July 2, 2007 and ending on June 30, 2008 that is payable from Revenues no later than fifteen (15) months from the date of issuance of such note.

“TRAN Proceeds” means, with respect to the issuance and sale by the City of a TRAN, all proceeds received by or on behalf of the City from any such sale net of underwriter’s commissions, underwriter’s discounts and costs of issuance.

Section 1.02 Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Articles, Sections and Exhibits shall be construed to refer to Articles and Sections of, and Exhibits to, this Agreement. All references herein to financial statements shall, unless expressly stated to be audited financial statements, shall be references to unaudited financial statements.

ARTICLE II NOTE

Section 2.01 Committed Amount. Subject to and upon the terms and conditions set forth herein, on July 2, 2007, BofA agrees to purchase a tax and revenue anticipation note issued by the City in the form of Exhibit C to the Accompanying Document with blanks appropriately completed in conformity therewith and in accordance with Section 2.04 hereof (as so issued, the “Note”).

Section 2.02 Pricing. No later than 10:00 A.M. (Los Angeles time) on Wednesday, June 27, 2007, the City shall have delivered to BofA at its Notice Office a fully completed and executed purchase notice in the form of Exhibit A (the “Purchase Notice”), specifying therein the

principal amount of the Note to be purchased, which principal amount shall be not less than \$1,000,000 and integral multiples of \$50,000 in excess thereof and shall not exceed the Committed Amount (the "Principal Amount"). Following its timely receipt of the Purchase Notice, BofA shall, no later than 9:00 A.M. (Los Angeles time) on Thursday, June 28, 2007, notify the City in writing in the form of Exhibit B (the "Rate Notice") of the per annum rates at which it would be willing to purchase the Note in the Principal Amount for delivery on Monday, July 2, 2007, which rates shall be (i) the Cost of Funds Rate plus the Applicable Margin, and (ii) the "One-Year Note Index" as published by The Bond Buyer newspaper on Thursday, June 27, 2007 (the "Bond Buyer Index") plus 0.45%. Following its timely receipt of the Rate Notice, the City shall, no later than 10:00 A.M. (Los Angeles time) on Thursday, June 28, 2007, notify BofA in writing in the form of Exhibit C (the "Acceptance Notice") whether the City desires that the Note bear interest at a per annum rate equal to the Cost of Funds Rate plus the Applicable Margin or the Bond Buyer Index plus 0.45%.

Section 2.03 Disbursement of Proceeds. No later than 10:00 A.M. (Los Angeles time) on the Purchase Date, so long as the conditions precedent to such purchase as set forth in Section 3.02 are satisfied at such time on such date, BofA will make available to the order of the City the Principal Amount in Dollars and in immediately available funds.

Section 2.04 Note. The Note shall (i) be registered in the name of BofA; (ii) be dated July 2, 2007; (iii) be in a principal amount equal to the Principal Amount; (iv) mature on the Maturity Date; (v) bear interest at the rate selected by the City in the Acceptance Notice; and (vi) be entitled to the benefits of this Agreement. BofA will note on the principal log attached to the Note the amount of each principal payment in respect thereof. Failure to make any such notation shall not affect the City's obligations in respect of the Note.

Section 2.05 Interest. The City agrees to pay interest in respect of the unpaid principal amount of the Note as follows:

(a) If the Note bears interest determined by reference to the Cost of Funds Rate, the City agrees to pay interest in respect of the unpaid principal amount of the Note from the date the proceeds thereof are made available to the City until the earlier of (i) the date the Note is paid in full, or (ii) the Maturity Date, in each case at a rate per annum equal, subject to Section 2.05(e) below, to the Cost of Funds Rate plus the Applicable Margin.

(b) If the Note bears interest determined by reference to the Bond Buyer Index, the City agrees to pay interest in respect of the unpaid principal amount of the Note from the date the proceeds thereof are made available to the City until the earlier of (i) the date the Note is paid in full, or (ii) the Maturity Date, in each case at a rate per annum equal, subject to Section 2.05(e) below, to the Bond Buyer Index in effect on the Purchase Date plus 0.45%.

(c) Overdue principal and, to the extent permitted by law, overdue interest in respect of the Note shall, subject to Section 2.05(e) below, bear interest at a rate per annum equal to 2% per annum in excess of the applicable rate for the Note. Any other overdue amount payable by the City hereunder shall bear interest at a rate per annum equal, subject to Section 2.05(e) below, to 3% per annum in excess of the Base Rate.

(d) Accrued (and theretofore unpaid) interest shall be payable (i) on any date of prepayment (on the amount prepaid); (ii) on June 27, 2008; (iii) on the Maturity Date and (iv) if not paid in full on or before the Maturity Date, on demand after the Maturity Date.

(e) If the rate of interest payable hereunder, including amounts payable under Sections 2.06 and 2.12 hereof, shall exceed the Maximum Rate or, if less, any maximum interest rate payable by law for any period for which interest is payable, then (i) interest at such Maximum Rate or maximum interest rate, as the case may be, shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and (B) such Maximum Rate or maximum interest rate, as the case may be (the "Excess Interest"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed such Maximum Rate or maximum interest rate, as the case may be, at which time the City shall pay or cause to be paid to BofA, with respect to amounts then payable to BofA that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to BofA to equal such Maximum Rate or maximum interest rate, as the case may be, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until the earlier of (x) the date all deferred Excess Interest is fully paid to BofA or, (y) as long as such date occurs after August 1, 2007, the Maturity Date.

(f) All computations of interest (other than interest that is determined by reference to BofA's prime rate) shall be made on the basis of a 360-day year and actual days elapsed.

Section 2.06 Increased Costs. In the event that BofA shall have determined at any time (which determination shall, absent manifest error, be final and conclusive and binding upon the City) that BofA shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to the Note because of any change since the date of this Agreement in any applicable law or governmental rule, regulation, order or request (whether or not having the force of law) (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order or request), such as, for example, but not limited to, (A) a change in the basis of taxation of payments to BofA or its Applicable Lending Office of the principal of or interest on the Note or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by reference to, the net income or profits of BofA or its Applicable Lending Office imposed by the jurisdiction in which its principal office or Applicable Lending Office is located) or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Cost of Funds Rate, then, and in any such event, BofA shall promptly give notice (by telephone confirmed in writing) to the City of such determination. Thereafter, the City, shall, subject to Section 2.05(e) hereof, pay to BofA, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as BofA in its sole discretion shall determine) as shall be required to compensate BofA for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to BofA, showing the basis for the calculation thereof, submitted to the City by BofA shall, absent manifest error, be final and conclusive and binding on all the parties hereto), provided that such additional amounts (whether in the form of an

increased rate of, or a different method of calculating, interest) shall not become effective until the fifteenth day following delivery by BofA to the City of said demand.

Section 2.07 Compensation. The City shall compensate BofA, upon its written request (which request shall set forth the basis for requesting such compensation and shall, absent manifest error, be final and conclusive and binding on all the parties hereto), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by BofA to fund its purchase of the Note which BofA may sustain: (i) if for any reason (other than a default by BofA) the purchase of the Note does not occur on the date specified therefor in the Purchase Notice; (ii) if any repayment (including any prepayment made pursuant to Section 2.09) occurs on a date which is not the Maturity Date; (iii) if any prepayment is not made on any date specified in a notice of prepayment given by the City to BofA; or (iv) as a consequence of any other default by the City to pay the principal of and interest on the Note when required by the terms of this Agreement and the Note.

Section 2.08 Change of Applicable Lending Office. BofA agrees that, upon the occurrence of any event giving rise to the operation of Sections 2.06 or 2.12, it will, if requested by the City, use reasonable efforts (subject to overall policy considerations of BofA and its parent company) to designate another Applicable Lending Office for the Note, provided that such designation is made on such terms that BofA and its Applicable Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. Nothing in this Section 2.08 shall affect or postpone any of the obligations of the City or the right of BofA provided in Section 2.06 or 2.12.

Section 2.09 Prepayments.

(a) The City shall, subject to Section 2.07, have the right to prepay the Note, without premium or penalty, in whole or in part from time to time by giving BofA at its Notice Office at least three Business Days' prior notice of its intent to prepay the Note. Each partial prepayment shall be in an aggregate principal amount of at least \$1,000,000 and integral multiples of \$50,000 in excess thereof.

(b) The City shall, subject to Section 2.07, prepay the Note, without premium or penalty, in whole or in part from time to time, from TRAN Proceeds. The City shall provide BofA with written notice of each proposed sale of such TRAns not less than three Business Days prior to the anticipated date of issuance of such TRAns. Each prepayment required by this Section 2.09(b) shall be made not less than the Business Day comprising the applicable issuance date.

Section 2.10 Set Aside Account; Segregation Account; Security Interest.

(a) As security for the payment of the principal of and interest on the Note, the City agrees and covenants to deposit in trust into a special fund to be established and held by the City for the benefit of the holder of the Note, designated as the "2007-08 Tax and Revenue Anticipation Notes Set Aside Account" (the "Set Aside Account"), and segregated from all other funds and accounts of the City, sufficient moneys to enable the City to pay in

full such principal and interest, as follows: (i) during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the First Set Aside Period and from the first Property Taxes received by the City during the First Set Aside Period, an amount equal to the First Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the First Set Aside Amount by December 20, 2007, thereafter from all Revenues (including Property Taxes) received by the City during the First Set Aside Period; (ii) during the Second Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the First Set Aside Amount during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Second Set Aside Period and from the first Property Taxes received by the City during the Second Set Aside Period, an amount equal to the Second Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Second Set Aside Amount by March 20, 2008, thereafter from all Revenues (including Property Taxes) received by the City during the Second Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the First Set Aside Amount during the First Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Second Set Aside Period and from the first Revenues (including Property Taxes) received by the City during the Second Set Aside Period, an amount equal to the Second Set Aside Amount; (iii) during the Third Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the Second Set Aside Amount during the Second Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Third Set Aside Period and from the first Property Taxes received by the City during the Third Set Aside Period, an amount equal to the Third Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Third Set Aside Amount by April 20, 2008, thereafter from all Revenues (including Property Taxes) received by the City during the Third Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the Second Set Aside Amount during the Second Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Third Set Aside Period and from the first Revenues (including Property Taxes) received by the City during the Third Set Aside Period, an amount equal to the Third Set Aside Amount; and (iv) during the Fourth Set Aside Period, (A) if the balance of the Set Aside Account equaled or exceeded the Third Set Aside Amount during the Third Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Fourth Set Aside Period and from the first Property Taxes received by the City during the Fourth Set Aside Period, an amount equal to the Fourth Set Aside Amount; provided, however, that if the amount of Property Taxes deposited in the Set Aside Account does not equal the Fourth Set Aside Amount by May 20, 2008, thereafter from all Revenues (including Property Taxes) received by the City during the Fourth Set Aside Period; or (B) if the balance of the Set Aside Account did not equal or exceed the Third Set Aside Amount during the Third Set Aside Period, from Property Taxes on deposit in the Segregation Account on the first day of the Fourth Set Aside Period and from the first Revenues (including Property Taxes) received by the City during the Fourth Set Aside Period, an amount equal to the Fourth Set Aside Amount. If by May 31, 2008 the amount on deposit in the Set Aside Account is not sufficient to pay the principal of and interest on the Note as they become due, the City shall thereafter transfer and deposit Revenues (including Property Taxes) to the Set Aside Account so that the amounts in the Set Aside Account are at least equal to the amounts required to pay the principal of and

interest on the Note as they become due. Except as provided in this Section 2.10(a), the City shall not deposit any amounts in the Set Aside Account. Amounts deposited in the Set Aside Account may not be used for any purpose other than payment of the Note and may be invested in legal investments which are permitted by the California Government Code and which mature not later than the latest maturity date of the Note; provided that, so long as no Event of Default is continuing, the earnings on any such investments shall be transferred by the City to the City's General Fund.

(b) To further assure BofA of the availability of Property Taxes for the purposes set forth herein, the City agrees and covenants to establish and hold in trust for the benefit of the holder of the Note a special fund that is segregated from all other funds and accounts of the City, which account shall be designated as the "2007-08 Tax and Revenue Anticipation Notes Segregation Account" (the "Segregation Account"). The City agrees and covenants to deposit in the Segregation Account all Property Taxes within three business days following the later to occur of (1) receipt thereof from appropriate officials of the County of San Diego and (2) identification to the City by the County Auditor of the amount comprising Property Taxes. The City covenants and agrees that no moneys other than Property Taxes and investment earnings thereon, to the extent credited thereto will be deposited in the Segregated Account. The City hereby warrants that disbursements of moneys to the City are made periodically by appropriate officials of the County through wire transfer to a City concentration account, that such disbursement typically includes amounts comprising Property Taxes and other amounts (including other ad valorem property tax receipts) not comprising Property Taxes, and that the County Auditor typically sends to the City thereafter an apportionment report which identifies to the City categories of disbursements from which the City can readily identify the portion thereof comprising Property Taxes. So long as no Event of Default is continuing, amounts deposited in the Segregation Account may be used, invested and expended by the City for any lawful purpose and, so long as no Event of Default is continuing, the earnings on any such investments shall be transferred by the City to the City's General Fund. During the continuation of an Event of Default, the City shall, if requested by BofA, transfer all Property Taxes from time to time on deposit in the Segregation Account to the Set Aside Account. Anything to the contrary herein notwithstanding, at such time as the City has funded all amounts required to be in the Set Aside Account as of June 30, 2008, it may, for accounting purposes, transfer amounts out of the Set Aside Account so long as it concurrently transfers into the Set Aside Account from other legally available funds an equal amount.

(c) The City hereby pledges all Available Revenues, Available Property Taxes, the Set Aside Account and all amounts held therein (collectively, the "Pledged Property") to the payment of the principal of and interest on the Note. This pledge and grant is a first lien and security interest in favor of the owner of the Note, which shall be valid, binding and enforceable from the date of this Agreement and the Pledged Property so pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge and grant shall be valid, binding and enforceable as against the City, its successors, creditors and all others asserting rights therein, to the extent set forth herein irrespective of whether such parties have notice thereof, and without the need for physical delivery, recordation, filing or further act.

Section 2.11 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or the Note shall be made to BofA not later than 2:00 P.M. (Los Angeles time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Account. Whenever any payment to be made hereunder or under the Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

Section 2.12 Net Payment. All payments made by the City hereunder or under the Note will be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding, except as provided below, any tax imposed on or measured by the net income of BofA pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office or Applicable Lending Office of BofA is located) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). As of the Effective Date, the Bank is not aware of any Taxes that would apply to its receipt of payments made by the City hereunder or under the Note. Subject to Section 2.05(e) hereof, the City shall also reimburse BofA, upon the written request of BofA, for taxes imposed on or measured by the net income of BofA pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office or Applicable Lending Office of BofA is located as BofA shall determine are payable by BofA in respect of amounts paid to or on behalf of BofA pursuant to the preceding sentence. If any Taxes are so levied or imposed, the City agrees, subject to Section 2.05(e) hereof, to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due hereunder or under the Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in the Note. The City will furnish to BofA within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the City. The City hereby agrees, subject to Section 2.05(e) hereof, to indemnify and hold harmless BofA, and reimburse BofA upon its written request, for the amount of any Taxes so levied or imposed and paid by BofA.

Section 2.13 BofA Records. All transactions relating to the Committed Amount and the Note including, without limitation, prepayments, repayments and interest charges shall be reflected in the books and records of BofA, which records shall be conclusive and binding upon the City absent manifest error.

ARTICLE III CONDITIONS PRECEDENT

Section 3.01 Conditions to BofA's Entering Into Agreement. It shall be a condition precedent to BofA's entering into this Agreement that all proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto, including the Related Documents, shall be in form and substance satisfactory to BofA.

Section 3.02 Conditions to Purchase. The obligation of BofA to purchase the Note on the Effective Date is subject to the satisfaction of the following conditions on such date:

(a) Representations. On the Effective Date, (i) there shall exist no Event of Default or Default; (ii) all representations and warranties made by the City herein or in any of the Related Documents shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time; and (iii) each of the Related Documents to which the City is a party, as amended (if applicable), is in full force and effect and has not been amended, modified or changed.

(b) Documents. On or prior to the Effective Date, BofA shall have received, in form and substance satisfactory to BofA, the following:

(i) A true and complete executed original of this Agreement, the Purchase Notice, the Acceptance Notice and the Note;

(ii) The Resolution certified on the Effective Date by the City Clerk;

(iii) Signature and incumbency certificates, dated the Effective Date, of the signatories of the City executing this Agreement and the Note;

(iv) A certificate of an Authorized Representative, dated the Effective Date, making the representations set forth in Section 3.02(a) with respect to the City;

(v) Executed copies of (A) the legal opinion of counsel to the City; and (B) the legal opinion of bond counsel, which opinions shall be in form and substance satisfactory to BofA and addressed to BofA;

(vi) A copy of the Budget For Fiscal Year 2007/2008;

(vii) A copy of the City's monthly cash flow projections for Fiscal Year 2007/2008 (the "Cash Flow Projections"); and

(viii) Such further documentation, certificates or opinions as BofA may reasonably request in connection with the matters arising under this Agreement and the Related Documents.

(c) Absence of Material Adverse Change. BofA shall be satisfied on the Effective Date that no material adverse change in or effect upon the financial condition of the City shall have occurred since June 30, 2005 with regard to the City's ability to perform its obligation under this Agreement and the Related Documents.

(d) Payment. The City shall have paid the fees and expenses of counsel to BofA as provided in Section 7.06 hereof.

(e) Other Matters. All other legal matters pertaining to the execution and delivery of this Agreement and the Related Documents shall be satisfactory to BofA, and BofA shall have received such other statements, certificates, agreements, documents and

information with respect to the City and matters contemplated by this Agreement as BofA may request.

Section 3.03 Satisfaction. Delivery by BofA of fully executed signature pages to this Agreement shall constitute acknowledgment and acceptance by BofA that all conditions set forth in Sections 3.01 and 3.02 have been met or waived.

ARTICLE IV REPRESENTATIONS OF THE CITY

The City makes the following representations and warranties to BofA as of the date hereof, the Effective Date and each Purchase Date:

Section 4.01 Valid Existence. The City is a municipal corporation duly organized and existing under and by virtue of the laws of the State and its Charter and has the necessary power and authority to execute and deliver this Agreement and the Related Documents, to perform its obligations hereunder and thereunder.

Section 4.02 Authorization and Validity. The execution, delivery and performance by the City of this Agreement and the Related Documents have been duly authorized by proper proceedings of the City, and no further approval, authorization or consents are required by law or otherwise. This Agreement and the Related Documents constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

Section 4.03 Compliance with Laws and Contracts. Neither the execution and delivery by the City of this Agreement and the Related Documents, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (a) violate any provision of the Charter, (b) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City, (c) result in any breach of, or default under the provisions of any material indenture, resolution, instrument or agreement to which the City is a party or is subject, or by which it or its property is bound, or (d) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

Section 4.04 Litigation. There is no action, suit, proceeding, inquiry or investigation; at law or in equity or by or before any court, governmental agency, public board or body, pending or, to the best knowledge of the City, after due investigation, threatened against the City (i) wherein an unfavorable decision, ruling, or finding would adversely affect the existence of the City or the title of any official of the City to such person's office, or (ii) seeking to restrain or enjoin the issuance, sale or delivery of the Note, or the collection of Revenues pledged or to be pledged to pay the obligations of the City under the Note, or the pledge thereof, or (iii) in any way contesting or affecting the validity or enforceability of this Agreement or the Related Documents, or (iv) contesting the power of the City or its authority with respect to the Note or this Agreement or the Related Documents, or (v) contesting the exclusion of interest on the Note from gross income for Federal income tax purposes; nor, to the best knowledge of the City, is

there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity of the Note, this Agreement or the other Related Documents or the authorization, execution, delivery by the City of the Note, this Agreement or the other Related Documents or the performance of its obligations hereunder and thereunder.

Section 4.05 No Event of Default. No Event of Default or Default has occurred and is continuing.

Section 4.06 Cash Flow Projections. The City represents that the Cash Flow Projections were prepared on the basis of information and estimates that the City believed to be reasonable.

Section 4.07 Reappropriations for Salaries, Wages, Maintenance and Support Expenses. Set forth on Schedule 4.07 attached hereto and made a part hereof is a list of appropriations made in the Annual Appropriation Ordinance for the City's 2006/2007 fiscal year that relate to salaries and wages and maintenance and support expenses. Such appropriations shall, in the absence of an Annual Appropriation Ordinance for Fiscal Year 2007/2008, be deemed reappropriated for Fiscal Year 2007/2008.

Section 4.08 Regulatory Approvals. Each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court, governmental agency or regulatory authority (federal, state or local), required in connection with the City's execution and delivery of, and performance under this Agreement and the Related Documents has been obtained or made and is in full force and effect.

Section 4.09 Prospective Change in Law. To the best knowledge of the City, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the ability of the City to perform its obligations under this Agreement or any of the Related Documents.

Section 4.10 Sovereign Immunity. Under California law, the City is not immune, by virtue of the fact that it is a governmental entity, from actions brought in contract.

Section 4.11 Priority of Security Interest. The Authority Law, the Resolution and this Agreement provide BofA with a valid security interest in the Pledged Property, the priority of which is set forth in the Resolution, and BofA is required to take no further action to perfect or maintain this security interest.

Section 4.12 Resolution. The Resolution is in full force and effect, and the City hereby makes to BofA each of the representations and warranties made by the City therein as if set forth at length herein. The Resolution has not been amended or supplemented except by such amendments or supplements as have previously been delivered to BofA.

ARTICLE V
COVENANTS OF THE CITY

During the term of this Agreement, and until the Obligations are paid in full, including full payment of the Note, unless BofA shall otherwise consent in writing, the City covenants and agrees as follows:

Section 5.01 Notice of Default. As soon as practicable but in any event not more than three Business Days after an Authorized Representative of the City shall have obtained knowledge of the occurrence of an Event of Default or Default provide to BofA the written statement of an Authorized Representative setting forth the details of each such Event of Default or Default and, to the extent the City has made any determination with respect thereto, the action which the City proposes to take with respect thereto.

Section 5.02 Compliance With Laws. The City shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the City may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the City's power and authority to execute and deliver this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver the Related Documents and to perform its obligations thereunder.

Section 5.03 Resolution. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Resolution, each of which covenants and agreements is, by this reference, incorporated into this Agreement in its entirety together with all defined terms and construction provisions necessary for a correct understanding thereof. The City shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Resolution which would materially impair the ability of the City to perform its obligations under this Agreement without the prior written consent of BofA.

Section 5.04 No Impairment. The City will not take any action that would materially impair the City's ability to perform its obligations under this Agreement and the Related Documents.

Section 5.05 Budgets; Financial Statements; Reports, Certificates and Other Information. As long as the Note is outstanding, the City shall provide or cause to be provided to BofA copies of:

- (a) As soon as available, a copy of (i) the audited CAFR for the City's 2003-2004 fiscal year together with the report of the independent accountants who conducted the audit of the financial statements of the City contained in the CAFR for City's 2003-2004 fiscal year; (ii) the audited CAFR for City's 2004-2005 fiscal year together with the report of the independent accountants who conducted the audit of the financial statements of the City

contained in the CAFR for City's 2004-2005 fiscal year; (iii) the unaudited CAFR for the City's 2005-2006 fiscal year; (iv) the audited CAFR for City's 2005-2006 fiscal year together with the report of the independent accountants who conducted the audit of the financial statements of the City contained in the CAFR for City's 2005-2006 fiscal year; (v) the unaudited CAFR for the City's 2006-2007 fiscal year; and (vi) the audited CAFR for City's 2006-2007 fiscal year together with the report of the independent accountants who conducted the audit of the financial statements of the City contained in the CAFR for City's 2006-2007 fiscal year;

(b) As soon as available and in any event within 15 days of the end of each calendar month (commencing with November, 2007) during each fiscal year of the City, a statement setting forth the Revenues actually received by the City during such calendar month and the Revenues projected by the City for such calendar month;

(c) As soon as available the adopted annual budget for the City;

(d) Promptly, notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency which, if adversely determined, would materially impair the ability of the City to carry out its obligations under this Agreement, or any other Related Document or any other document, instrument or agreement required hereunder or thereunder, or would materially and adversely affect its assets or financial condition; and

(e) Promptly, notice of any matter or event which may result in a material adverse change in the City's financial condition or operations.

Section 5.06 Inspection Rights. At any reasonable time and from time to time the City shall permit BofA or any agents or representatives thereof to examine and make copies of the records and books of account related to the Revenues and the transactions contemplated by this Agreement and the Related Documents, to visit the City's properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

Section 5.07 Use of Proceeds. The City shall use the proceeds of the Note solely for the cash flow needs of the City for Fiscal Year 2007/2008, including, without limitation, payment of accrued interest on the Note. Without limiting the preceding sentence, the City agrees that no part of the proceeds of the Note will be used by the City to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Notwithstanding anything to the contrary contained in this Section 5.07, until such time as the Annual Appropriation Ordinance for Fiscal Year 2007/2008 is adopted, the City shall use the proceeds of the Note purchased by BofA prior to such date as permitted by Section 71a of the City Charter solely to pay salaries and wages and maintenance and support expenses in amounts not in excess of those appropriated by the City for its fiscal year 2006/2007.

Section 5.08 Existence. The City shall maintain its legal existence and shall not merge or consolidate with or into any other Person.

Section 5.09 Indebtedness and Liens. The City shall not create or suffer to exist any Indebtedness secured by or Lien upon or with respect to any of the Pledged Property, except as permitted pursuant to the Resolution.

Section 5.10 Assignments. The City shall not assign, transfer or otherwise convey any interest in the Pledged Property without the prior written consent of BofA.

Section 5.11 Further Assurances. From time to time hereafter, the City will execute and deliver such additional instruments, certificates or documents, and will take all such actions as BofA may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the Related Documents or for the purpose of more fully perfecting or renewing BofA's rights with respect to the Pledged Property.

ARTICLE VI EVENTS OF DEFAULT; REMEDIES

Section 6.01 Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) Payments. The City shall (i) default in the payment when due of any principal of the Note; or (ii) default, and such default shall continue unremedied for two or more days, in the payment when due of any interest on the Note or any other Obligation.

(b) Representations Untrue. Any representation, warranty, certification or statement made by the City in this Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made.

(c) Covenant Defaults.

(i) The City shall default in the due performance on or observance of any term, covenant or agreement contained in Sections 2.10, 5.01, 5.03, 5.04, 5.07, 5.08, 5.09 and 5.10 of this Agreement.

(ii) The City shall default in the due performance on or observance of any term, covenant or agreement contained in Section 5.05 of this Agreement and such default, if capable of being remedied, shall remain unremedied for 10 days after written notice thereof shall have been given to the City by BofA.

(iii) The City shall default in the due performance or observance of any term, covenant or agreement contained herein or incorporated herein (other than those described in other provisions of this Section 6.01) and such default, if capable of being remedied, shall remain unremedied for 60 days after written notice thereof shall have been given to the City by BofA.

(d) Cross Default. The City shall (i) default in any payment of any (A) Indebtedness payable from the City's general fund (other than the Note) ("General Fund

Indebtedness”) beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such General Fund Indebtedness was created or (B) Indebtedness or lease rental or installment payment owed to BofA (other than the Note) or any of its affiliates for the lease or purchase of vehicles (including helicopters and refuse packers), equipment and other property (“BofA Indebtedness”) beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such BofA Indebtedness was created; or (ii) default in the observance or performance of any agreement or condition relating to any General Fund Indebtedness or BofA Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to permit the holder or holders of such General Fund Indebtedness or BofA Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such General Fund Indebtedness or BofA Indebtedness to become due prior to its stated maturity.

(e) Cross Acceleration. Any General Fund Indebtedness or BofA Indebtedness shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof.

(f) Invalidity; Repudiation.

(i) Any material provision of this Agreement, the Note or the Resolution is declared to be null and void by a final non-appealable judgment of court of competent jurisdiction; or

(ii) The City shall deny that it has any or further liability or obligation under this Agreement, the Note or the Resolution.

(g) Insolvency, Etc. An Insolvency Event shall have occurred; or the State or any other governmental authority having jurisdiction over the City imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any debt by the City; or the property of the City shall be condemned, seized, or otherwise appropriated.

(h) Pledge, Etc. The pledge of the Pledged Property created by the Authority Law, this Agreement and the Resolution shall fail to provide BofA with the security interest in the Pledged Property purported to be provided, or BofA shall cease to have a valid security interest in the Pledged Property.

(i) Resolution Default. The City shall default in the due performance or observance of any material term, covenant or agreement contained in the Resolution and the same shall not have been cured within any applicable cure period.

(j) Certain Unsatisfied Judgments. A judgment or court order for the payment of money in excess of \$5,000,000 shall be rendered against the City that is payable from the City’s general fund, and such judgment or court order shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal.

Section 6.02 Remedies. If any Event of Default shall have occurred and be continuing, BofA may by Notice to the City take any or all of the following actions, without prejudice to the rights of BofA or the holder of any Note to enforce its claims against the City (provided, that, if an Event of Default specified in Section 6.01(g) shall occur, the result which would occur upon the giving of Notice by BofA to the City as specified in clause (i) below shall occur automatically without the giving of any such Notice): (i) declare the principal of and any accrued interest in respect of the Note and all other Obligations owing hereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind; all of which are hereby waived by the City and/or (ii) exercise any other rights or remedies BofA may have under the Resolution, at law or in equity.

Section 6.03 No Waiver; Cumulative Remedies. No failure or delay on the part of BofA or the holder of the Note in exercising any right, power or privilege hereunder or under any Related Document and no course of dealing between the City and BofA or the holder of the Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any Related Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any Related Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which BofA or the holder of the Note would otherwise have. No notice to or demand on the City in any case shall entitle the City to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of BofA or the holder of the Note to any other or further action in any circumstances without notice or demand.

ARTICLE VII MISCELLANEOUS

Section 7.01 Amendments. No provision of this Agreement may be amended, modified, changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto.

Section 7.02 Assignments. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of BofA; and (ii) prior to the earlier of the Maturity Date or the date the Note is accelerated, BofA may not assign or otherwise transfer any of its rights or obligations hereunder to any Person.

Section 7.03 Governing Law; Waiver of Jury Trial; Judicial Reference.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE.

(b) EACH OF THE CITY AND BOFA IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT

OF OR RELATING TO THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

(c) If any action or proceeding is filed in a court of the State of California by or against any party hereto in connection with any of the transactions contemplated by this Agreement or any other Related Document, (i) the court shall, and is hereby directed to, make a general reference pursuant to California Code of Civil Procedure Section 638 to a referee (who shall be a single active or retired judge) to hear and determine all of the issues in such action or proceeding (whether of fact or of law) and to report a statement of decision, provided that at the option of any party to such proceeding, any such issues pertaining to a “provisional remedy” as defined in California Code of Civil Procedure Section 1281.8 shall be heard and determined by the court, and (ii) without limiting the generality of Section 7.06, the City shall be solely responsible to pay all fees and expenses of any referee appointed in such action or proceeding.

Section 7.04 Severability. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 7.05 Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 7.06 Expenses. In connection with the negotiation, execution and delivery of this Agreement and the Related Documents, the City shall pay to White & Case LLP, counsel for BofA, \$30,000. The City shall also pay (a) all reasonable out-of-pocket expenses of BofA, including reasonable fees and expenses of counsel retained by BofA in connection with any waiver or consent hereunder or under any Related Documents or any amendment hereof or thereof, and (b) if any Default or Event of Default occurs, all out-of-pocket expenses incurred by BofA, including the fees and disbursements of counsel and experts retained by BofA in connection with such Default or Event of Default and collection and other enforcement proceedings resulting therefrom. BofA shall pay the filing fee for the notice of issuance of debt that the City is required to make with the California Debt and Investment Advisory Commission in connection with the issuance of the Note.

Section 7.07 Indemnification.

(a) To the maximum extent permitted by law, the City agrees to indemnify and hold harmless BofA and its officers, directors, employees and their agents (each, an “Indemnitee”) from and against any and all claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses (including, without limitation, reasonable attorney’s fees and expenses) whatsoever which an Indemnitee may incur (or which may be claimed against an Indemnitee by any person or entity whatsoever) by reason of or in connection with any action, proceeding or investigation (whether or not BofA is a party thereto) arising from the entering into and/or performance of this Agreement or any Related Document or the use of the proceeds of the Note or the consummation of any transactions

contemplated herein or in any Related Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such action, proceeding or investigation (but excluding any such claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses, to the extent incurred by reason of the gross negligence or willful misconduct of the Indemnitee, including the sale, transfer or participation of the Note in violation of Section 7.13(c) hereof).

(b) Promptly after receipt by an Indemnitee of notice of the commencement of any action, proceeding, or investigation in respect of which indemnity or reimbursement may be sought as provided above (each, an "Indemnified Claim"), such Indemnitee will notify the City in writing of the receipt or commencement thereof, but the failure of an Indemnitee to notify the City with respect to a particular action, proceeding or investigation shall not relieve the City from any obligation or liability which it may have pursuant to this Section 7.07 with respect to such action, proceeding or investigation, or which it may have otherwise than pursuant to this Agreement with respect to any action, proceeding, or investigation, except to the extent such failure to so notify the City with respect to a particular action, proceeding or investigation results in substantial prejudice to the City, in which case the City's indemnification and reimbursement obligations shall be reduced to the extent of such prejudice.

(c) The City shall be entitled at its own expense to participate in and control the defense of any action, proceeding or investigation with counsel reasonably satisfactory to such Indemnitee. Notwithstanding the preceding sentence, an Indemnitee will be entitled to employ counsel separate from counsel for the City and from any other party in such action, proceeding or investigation and to participate in the action, proceeding, or investigation, and the City shall bear the fees and expenses of such separate counsel (and shall pay such fees and expenses as and when incurred), only if the Indemnitee and the counsel selected pursuant to the preceding sentence shall have reasonably concluded that there may be one or more legal defenses available to the Indemnitee which are different from or additional to those available to the City and which cannot be adequately raised by the selected counsel for conflict reasons. Each Indemnitee shall cause its counsel to cooperate with the City in the defense of any action, proceeding or investigation to the extent consistent with its professional responsibilities. The City shall not be liable for the settlement by any Indemnitee of any action, proceeding or investigation effected without its consent, which consent will not be unreasonably or untimely withheld. The City shall not settle or compromise any action, proceeding or investigation, or permit a default or consent to the entry of any judgment with respect thereto, unless such settlement, compromise, default or consent includes, as an unconditional term thereof, the giving by the party other than the City thereto of an unconditional general release to all Indemnitees from all liability in respect of such action, proceeding, or investigation.

(d) To the maximum extent permitted by law, the City agrees to indemnify and hold BofA and its officers, directors, employees and their agents harmless (on a net after-tax basis) from any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and

performance of, or any payment made under, this Agreement, the Note and the other Related Documents, or any amendment thereto.

Section 7.08 Termination of the Agreement. Except for the City's obligation to indemnify BofA and each Indemnitee, which shall survive the termination of this Agreement, this Agreement shall terminate when all Obligations have been paid in full.

Section 7.09 Notice. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with the City or BofA shall be deemed or have been sufficiently given or filed for all purposes, if any, when delivered by hand or three Business Days after being sent by registered mail, return receipt requested, postage prepaid, and if given by telecopy or telegraphic means shall be deemed given when transmitted (receipt confirmed):

If to the City:

City of San Diego
Office of the City Treasurer
1200 Third Avenue, Suite 100
MS 51T
San Diego, CA 92101
Attention: Gail R. Granewich, City Treasurer
Telephone: 619-236-6112
Facsimile: 619-236-7134
E-mail: ggranewich@sandiego.gov

City of San Diego Treasurer – Investments Division
1200 3rd Avenue, 16th Floor, Suite # 1624
MS-51V
San Diego, CA 92101
Attention: Kent Morris, Chief Investment Officer
Telephone: 619-533-6313
Facsimile: 619-533-6259
E-mail: kmorris@sandiego.gov

If to BofA:

Bank of America, N.A.
333 South Hope Street, 13th Floor
Mail Code: CA9-193-13-17
Los Angeles, CA 90071
Attention: Paul F. Sutherlen
Telephone: (213) 621-7134
Facsimile: (213) 621-3606

or to such other address, telephone number or facsimile number as one party hereto shall notify to the other party hereto.

Section 7.10 Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Section 7.11 Survival. All representations, warranties, covenants and agreements of the City contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof shall continue in full force and effect until payment in full of the Obligations, it being understood that the agreements of the City found in the Protective Provisions and Section 7.05 hereof shall survive the termination of this Agreement and payment in full of the Obligations.

Section 7.12 No Liability. The City agrees that none of BofA, its officers, directors, employees and their agents shall have any liability or responsibility for the acts or omissions of the City in respect of its use of this Agreement or any amounts made available by BofA hereunder. BofA agrees that none of the City, its officers, Council members, employees and their agents shall have any liability or responsibility for the acts or omissions of BofA in respect of the performance of BofA's obligations under this Agreement.

Section 7.13 BofA's Representations. BofA represents, warrants to and agrees with the City that:

(a) BofA has authority to purchase the Note and to enter into this Note Purchase Agreement on a private placement basis without provision by the City of an official statement or other offering document;

(b) BofA has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Note and is able to bear the economic risks of such investment;

(c) The Note is being acquired by BofA for investment and not with a view to, or for resale in connection with, any distribution of the Note. BofA intends to hold the Note for its own investment portfolio through the maturity of the Note, and acknowledges that the Note is non-negotiable and, except as provided below, is non-transferable prior to maturity and, except as provided below, BofA does not have the right prior to maturity to sell or transfer the Note, to create any participation interests in the Note, to deposit the Note into any affiliated investment companies or trusts or to otherwise directly or indirectly transfer or assign any interests in the Note. BofA understands that the Note will be in certificated form and that the foregoing transfer restrictions will be a legend on the Note. BofA understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity is not permitted. Notwithstanding the foregoing provisions of this paragraph (c), if the Note bears interest determined by reference to the Bond Buyer Index, BofA may transfer and assign the Note to a Qualified Purchaser as long as BofA (i) notifies the City in writing of such transfer and assignment; and (ii) causes the Qualified Purchaser to deliver to the City an investment representation letter substantially in the form of Exhibit D hereto;

(d) BofA understands that the Note is not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Note (a) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state; (b) will not be listed in any stock or other securities exchange; (c) will not carry a rating from any rating service; and (d) will be delivered in a form which is non-negotiable and, except as provided in paragraph (c) above, is non-transferable;

(e) BofA acknowledges that it has either been supplied with or been given access to information to which a reasonable investor would attach significance in making investment decisions, and BofA has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the financial condition of the City, the Note and the security therefor so that, as a reasonable investor, BofA has been able to make an informed investment decision to purchase the Note;

(f) BofA acknowledges that the obligation of the City to pay debt service on the Note is an obligation payable solely from Revenues as defined in the Accompanying Document; and

(g) BofA has made its own inquiry and analysis with respect to the Note and the security therefor, and other material factors affecting the security and payment of the Note.

(h) BofA has received and reviewed the Voluntary Reports of Information dated January 27, 2004 and March 12, 2004 relating to the General Fund, which advised that there were certain errors in the Comprehensive Annual Financial Report of the City of San Diego, California for the fiscal year ended June 30, 2002, which was audited by Calderon, Jaham & Osborn;

(i) BofA acknowledges certain matters regarding the City's financial statements and certain ongoing investigations relating to the City. The City found errors in various financial statements for the fiscal year ended June 30, 2002. Certain of these errors were reported by the City to the nationally recognized municipal securities information repositories in filings dated January 27, 2004, and March 12, 2004. As a result of the discovery of such errors, the City retained the accounting firm of KPMG LLP to perform a full scope audit and render an opinion on the financial statements of the City for the fiscal year ended June 30, 2003. The City has retained the accounting firm of Macias, Gini & Company LLP ("Macias") to perform an audit and render an opinion on the financial statements of the City for the fiscal years ended June 30, 2004 and June 30, 2005, and is negotiating with such firm for auditing fiscal years June 30, 2006 and June 30, 2007.

On February 13, 2004, the U.S. Securities and Exchange Commission (the "Commission") notified the City that it was investigating certain City bond offerings. At the same time, the United States Attorney's Office began its investigation regarding certain bond offerings by the City. The City retained Vinson & Elkins L.L.P. ("V&E") to investigate the City's disclosure practices regarding the funding of pension fund liability for the period 1996-2004. V&E released their report on September 16, 2004. KPMG advised the City that in its view the V&E report did not provide a basis for the City to conclude whether there was any "intentional misconduct or other conduct, which violated any law, rule, or regulation having

the force of law.” On August 4, 2005 V&E released an additional report intended to complete the additional investigative procedures to be responsive to KPMG’s concerns. Such report was submitted to the City Council and the City’s outside Audit Committee for review.

On August 8, 2006, the Audit Committee released its report entitled, “Investigation Into The San Diego City’s Employees’ Retirement System and the City of San Diego Sewer Rate Structure” (the “Report”). The Report concluded that failures of San Diego city government, including government officials, contributed to the City’s failure to conform to requirements of law and to adhere to principles of sound governance and financial reporting. Moreover, the Report concluded that City officials deliberately failed to obey the law with regard to rate setting requirement for the sewer system.

On November 14, 2006, the City entered into a cease-and-desist order with the Commission relating to violations of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the offer and sale of municipal securities in 2002 and 2003, and other related public financial disclosures.

The Commission concluded that the “City’s public disclosures in the preliminary official statements and official statements for its 2002 and 2003 offerings, its 2003 continuing disclosures, and presentations to the rating agencies failed to disclose material information regarding the City’s current funding of its pension and retiree health care obligations, the City’s future pension and retiree health care obligations, and the City’s ability to pay those future obligations.” The Commission further concluded that “[t]he City, through its officials, acted with scienter.”

The cease-and-desist order also imposed certain remedial sanctions, including the retention of an independent consultant to review and assess its policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. On January 16, 2007 the City retained the law firm of Edwards Angell Palmer & Dodge, LLP to serve as Independent Consultant. The independent consultant is required to conduct annual reviews of the City’s policies, procedures and internal controls for a three year period, and provide copies of such annual reports to the Commission.

The Commission’s investigation is ongoing as to individuals and other entities that may have violated federal security laws. The City Attorney has prepared several reports regarding the City’s underfunding of its pension system in which he concluded that various City officials violated provisions of federal securities laws and other State law. All of those reports are available on the City Attorney’s website.

On March 16, 2007, KPMG released an unqualified opinion regarding the City’s financial statements for the fiscal year ending June 30, 2003. The 2003 financial statements have been referred to the City’s newly established Audit Committee, which consists of three members of the City Council. Once the Audit Committee has completed its review, the document will be referred to the full City Council for consideration.

The City's financial statements for the fiscal years ending 2004, 2005 and 2006 have not been completed. At this time, it cannot be determined when Macias will provide an opinion letters regarding the City's outstanding financial statements.

BofA acknowledges that the City can give no assurances regarding such investigations or when such investigations will be completed. As well, the City can give no assurance that other investigations will not be initiated against the City in the future.

* * *

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

CITY OF SAN DIEGO

By: _____
Jay M. Goldstone
Chief Financial Officer

Approved as to form:

MICHAEL AGUIRRE, City Attorney

By: _____
Mark D. Blake, Esq.
Chief Deputy City Attorney

BANK OF AMERICA, N.A.

By: _____
Paul F. Sutherlen
Senior Vice President

SCHEDULE 4.07

Fiscal Year 2006/2007 Appropriations For Salaries And Wages And Maintenance And Support

Citywide

Salaries and Wages	\$ 717,628,005
Fringe Benefits	\$ 358,804,386
Supplies and Services	\$1,304,430,782

General Fund

Salaries and Wages	\$ 495,843,494
Fringe Benefits	\$ 252,902,759
Supplies and Services	\$ 201,615,822

978809

[FORM OF]
PURCHASE NOTICE

June 27, 2007

Bank of America, N.A.
Middle Market Services West
Commercial Doc. & Loan Admin - Team # 1
333 S. Beaudry Avenue, 11th Floor
Los Angeles, CA 90071

Attention: Mary Trainor, Market Leader
Telephone No.: (213) 345-7726
Facsimile No.: (213) 345-7783

With a copy to:

Paul F. Sutherlen
Telephone No.: (213) 621-7134
Facsimile No.: (213) 621-3606/3607

Re: Obligor # 9304368343 for the City of San Diego

Ladies and Gentlemen:

The undersigned, City of San Diego (the "City"), refers to the Note Purchase Agreement, to be entered into on July 2, 2007 (the "Agreement"; the terms defined therein being used herein as therein defined), by the undersigned and Bank of America, N.A. ("BofA"), and hereby gives you notice that the undersigned hereby desires:

(a) Upon execution of the Agreement, to sell to BofA, and requests that BofA purchase, the Note with the characteristics described below:

(i) The purchase date of the Note is July 2, 2007;

(ii) The principal amount of the Note to be purchased is *\$/insert an amount not less than \$1,000,000 and integral multiples of \$50,000 in excess thereof and not more than \$130,000,000*; and

(iii) The maturity date of the Note is August 1, 2008; and

(b) That BofA provide the City, by no later than 9:00 A.M. (Los Angeles time) on June 28, 2007, with two rate quotes at which it would be willing to purchase the Note described

in clause (a) above, which rate quotes shall be (i) the Cost of Funds Rate plus the Applicable Margin and (ii) the Bond Buyer Index plus 0.45%.

The City hereby certifies that if the Agreement were in effect today the following statements would be true on the date hereof:

(A) All representations and warranties contained in the Agreement and the other Related Documents are true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof; and

(B) No Default or Event of Default exists.

Very truly yours,

CITY OF SAN DIEGO

By: _____
Name: _____
Title: _____

[FORM OF]
RATE NOTICE

June 28, 2007

City of San Diego
Office of the City Treasurer
1200 Third Avenue, Suite 100
MS 51T
San Diego, CA 92101
Attention: Gail R. Granewich, City Treasurer
Telephone: 619-236-6112
Facsimile: 619-236-7134

With a copy to:

City of San Diego Treasurer – Investments Division
1200 3rd Avenue, 16th Floor, Suite # 1624
MS-51V
San Diego, CA 92101
Attention: Kent Morris, Chief Investment Officer
Telephone: 619-533-6313
Facsimile: 619-533-6259

Re: City of San Diego 2007-2008 TRAN

Ladies and Gentlemen:

The undersigned, Bank of America, N.A. ("BofA"), refers to (i) the Note Purchase Agreement, to be entered into on July 2, 2007 (the "Agreement"; the terms defined therein being used herein as therein defined), by the undersigned and City of San Diego (the "City"), and (ii) the Purchase Notice of the City dated July 27, 2008, and hereby gives you notice that the undersigned hereby desires:

Upon execution of the Agreement, to purchase from the City the Note with the characteristics described below:

- (a) The purchase date of the Note is July 2, 2007;
- (b) The principal amount of the Note to be purchased is \$ _____ [insert the amount set forth in the Purchase Notice as long as such amount is not less than \$1,000,000 and integral multiples of \$50,000 in excess thereof and not more than \$130,000,000]; and

- (c) The maturity date of the Note is August 1, 2008; and
- (d) The per annum interest rate is, at the City's election, either:

(i) Cost of Funds Rate _____ %
Applicable Margin + 0.50%
All-in Rate = _____ %

or

(ii) Bond Buyer Index _____ %
Spread + 0.45%
All-in Rate = _____ %

Very truly yours,

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

[FORM OF]
ACCEPTANCE NOTICE

June 28, 2007

Bank of America, N.A.
Middle Market Services West
Commercial Doc. & Loan Admin - Team # 1
333 S. Beaudry Avenue, 11th Floor
Los Angeles, CA 90071

Attention: Mary Trainor, Market Leader
Telephone No.: (213) 345-7726
Facsimile No.: (213) 345-7783

With a copy to:

Paul F. Sutherlen
Telephone No.: (213) 621-7134
Facsimile No.: (213) 621-3606/3607

Re: Obligor # 9304368343 for the City of San Diego

Ladies and Gentlemen:

The undersigned, City of San Diego (the "City"), refers to (i) the Note Purchase Agreement, to be entered into on July 2, 2007 (the "Agreement"; the terms defined therein being used herein as therein defined), by the undersigned and Bank of America, N.A. ("BofA"), (ii) the Purchase Notice of the City dated June 27, 2007, and (iii) the Rate Notice of BofA dated June 27, 2007, and hereby gives you irrevocable notice that the City selects the all-in per annum interest rate of _____%, which represents the [*Cost of Funds Rate quoted in the Rate Notice plus the Applicable Margin*] [*Bond Buyer Index quoted in the Rate Notice plus 0.45%*] [*Select one of previous statements*].

The City hereby certifies that if the Agreement were in effect today the following statements would be true on the date hereof:

(A) All representations and warranties contained in the Agreement and the other Related Documents are true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof; and

(B) No Default or Event of Default exists.

Very truly yours,

CITY OF SAN DIEGO

By: _____
Name: _____
Title: _____

[FORM OF]
QUALIFIED PURCHASER INVESTOR REPRESENTATION LETTER

City of San Diego
Office of the City Treasurer
1200 Third Avenue, Suite 100
MS 51T
San Diego, CA 92101
(*Issuer*)

Bank of America, N.A.
Middle Market Services West
Commercial Doc. & Loan Admin - Team # 1
333 S. Beaudry Avenue, 11th Floor
Los Angeles, CA 90071
(*Initial Purchaser*)

Re: \$130,000,000
City of San Diego
2007-2008 Tax and Revenue Anticipation Note

Ladies and Gentlemen:

In connection with the purchase of the above-captioned note (the "Note") by the Trustee on behalf of the Trust (each as defined below), the undersigned hereby makes the following representations upon which you may rely:

1. Bank of America, N.A., as trustor (the "Trustor"), under the Series Trust Agreement dated as of _____, between the Trustor and the entity named therein as Trustee and Tender Agent (the "Trustee"), pursuant to which the _____ Series 2007 [X] Trust (the "Trust") [is to be] [has been] established, hereby acknowledges on behalf of the Trust receipt of copies of the Resolution No. R-_____ adopted by the City Council of the City of San Diego (the "City") on June __, 2007, including Accompanying Document No. RR-_____ (collectively, the "Resolution"), and the Note Purchase Agreement, dated as of July 2, 2007 (the "Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement), between the City and Bank of America, N.A.

2. The Trustor is duly and validly organized under the laws of its jurisdiction of incorporation or organization, and has the requisite power and authority to direct the Trustee on behalf of the Trust to purchase the Note and has authority to execute this Investor Representation Letter.

3. The Trust is a "Qualified Institutional Buyer" as that term is defined under Rule 144A of the Securities Act of 1933, as amended (the "Act"), as each certificate holder of the Trust will be a "Qualified Institutional Buyer." The Trust is an "Affiliate" of Bank of America, N.A. as that term is defined in the Agreement.

4. The Trustor understands that the Note is not registered under the Act and that such registration is not legally required as of the date hereof, and further understands that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange and (iii) does not carry an unenhanced or underlying rating from any rating service.

5. The Trustor understands that (a) the principal of, and interest on, the Note is expected to be payable primarily from Available Property Taxes and Available Revenues and (b) the Note does not constitute a debt or liability of the City or the State of California (the "State") for which the faith and credit of the City or the State, or any political subdivision thereof, is pledged.

6. The Trust is not acquiring the Note with a view to, or for resale in connection with, any distribution thereof or with any present intention of offering or selling the Note; provided that the Trust will sell floating rate trust certificates and inverse rate trust certificates (the "Certificates") to QIBs, which Certificates represent a beneficial ownership interest in the Note. The Trustor further understands that the Trust may need to bear the risks of this investment for an indefinite period of time, in that the limitations on subsequent transfer of the Note set forth in the Agreement and the Resolution may significantly limit the Trust's ability to sell the Note in the secondary market. The Trust has no current need for liquidity in its investment in the Note and is able to bear the risks of such investment for an indefinite period.

7. The Trustor has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits associated with an investment in the Note.

8. The Trustor has made its own inquiry and analysis with respect to the Note and the security therefor, and other material factors affecting the security and payment of the Note. The Trustor recognizes and agrees that none of the City, any employee of the City, any member of the City Council of the City, counsel to the City or Note Counsel has made any representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the information reviewed by the Trustor in connection with the Trust's purchase of the Note other than as set forth in the Agreement, Resolution, legal opinions or other documentation delivered upon issuance of the Note and that such parties have no duty to the Trustor or the Trust to make any representation or provide any disclosure document to the Trustor or the Trust in connection with its purchase of the Note other than as set forth in the Agreement, Resolution, legal opinions or other documentation delivered upon issuance of the Note. In making its investment decision, the Trust is relying solely upon the Trustor's own examination of the City and the Note.

9. The Trustor is aware that the operations of the City involve certain economic and political variables and risks that could adversely affect the security for the Note. The Trustor acknowledges that in the event of a default on the Note, the risk of loss lies entirely with the Trust. The Trust can bear the economic risk of the purchase of the Note (including the total loss of its investment).

10. The Trustor acknowledges that as of the original issue date of the Note, the City had not prepared audited financial statements for the fiscal years ended 2004, 2005 and 2006, and that the City was subject to the investigations listed on Annex A hereto.

11. The Trustor covenants that it will not direct the Trustee to sell or otherwise transfer the Note or beneficial interests therein except to Qualified Institutional Buyers who execute an Investor Representation Letter in substantially the form hereof.

12. Under the terms of the Trust, Certificates may be held by no more than twelve (12) Qualified Institutional Buyers at any time.

13. The Trustor hereby agrees to indemnify and hold harmless the City, and its officers, employees and agents (collectively, the "Indemnified Parties"), with respect to any claim against any Indemnified Party based upon any sale, transfer or other disposition of the Note ultimately determined by a nonappealable decision of a court of competent jurisdiction to be in violation of the provisions of this Investor Representation Letter, the Agreement and the Resolution.

Very truly yours,

BANK OF AMERICA, N.A.,
as Trustor

By _____
Authorized Signatory

ANNEX A

INVESTIGATIONS OF THE CITY PENDING AS OF JULY 2, 2007

The following provides a summary of certain matters regarding the City's financial statements and certain ongoing investigations relating to the City. The City found errors in various financial statements for the fiscal year ended June 30, 2002. Certain of these errors were reported by the City to the nationally recognized municipal securities information repositories in filings dated January 27, 2004, and March 12, 2004. As a result of the discovery of such errors, the City retained the accounting firm of KPMG LLP to perform a full scope audit and render an opinion on the financial statements of the City for the fiscal year ended June 30, 2003. The City has retained the accounting firm of Macias, Gini & Company LLP ("Macias") to perform an audit and render an opinion on the financial statements of the City for the fiscal years ended June 30, 2004 and June 30, 2005, and is negotiating with such firm for auditing fiscal years June 30, 2006 and June 30, 2007.

On February 13, 2004, the U.S. Securities and Exchange Commission (the "Commission") notified the City that it was investigating certain City bond offerings. At the same time, the United States Attorney's Office began its investigation regarding certain bond offerings by the City. The City retained Vinson & Elkins L.L.P. ("V&E") to investigate the City's disclosure practices regarding the funding of pension fund liability for the period 1996-2004. V&E released their report on September 16, 2004. KPMG advised the City that in its view the V&E report did not provide a basis for the City to conclude whether there was any "intentional misconduct or other conduct, which violated any law, rule, or regulation having the force of law." On August 4, 2005 V&E released an additional report intended to complete the additional investigative procedures to be responsive to KPMG's concerns. Such report was submitted to the City Council and the City's outside Audit Committee for review.

On August 8, 2006, the Audit Committee released its report entitled, "Investigation Into The San Diego City's Employees' Retirement System and the City of San Diego Sewer Rate Structure" (the "Report"). The Report concluded that failures of San Diego city government, including government officials, contributed to the City's failure to conform to requirements of law and to adhere to principles of sound governance and financial reporting. Moreover, the Report concluded that City officials deliberately failed to obey the law with regard to rate setting requirement for the sewer system.

On November 14, 2006, the City entered into a cease-and-desist order with the Commission relating to violations of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the offer and sale of municipal securities in 2002 and 2003, and other related public financial disclosures.

The Commission concluded that the "City's public disclosures in the preliminary official statements and official statements for its 2002 and 2003 offerings, its 2003 continuing disclosures, and presentations to the rating agencies failed to disclose material information regarding the City's current funding of its pension and retiree health care obligations, the City's future pension and retiree health care obligations, and the City's ability to pay those future

879008

obligations.” The Commission further concluded that “[t]he City, through its officials, acted with scienter.”

The cease-and-desist order also imposed certain remedial sanctions, including the retention of an independent consultant to review and assess its policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. On January 16, 2007 the City retained the law firm of Edwards Angell Palmer & Dodge, LLP to serve as Independent Consultant. The independent consultant is required to conduct annual reviews of the City’s policies, procedures and internal controls for a three year period, and provide copies of such annual reports to the Commission.

The Commission’s investigation is ongoing as to individuals and other entities that may have violated federal security laws. The City Attorney has prepared several reports regarding the City’s underfunding of its pension system in which he concluded that various City officials violated provisions of federal securities laws and other State law. All of those reports are available on the City Attorney’s website.

On March 16, 2007, KPMG released an unqualified opinion regarding the City’s financial statements for the fiscal year ending June 30, 2003. The 2003 financial statements have been referred to the City’s newly established Audit Committee, which consists of three members of the City Council. Once the Audit Committee has completed its review, the document will be referred to the full City Council for consideration.

The City’s financial statements for the fiscal years ending 2004, 2005 and 2006 have not been completed. At this time, it cannot be determined when Macias will provide an opinion letters regarding the City’s outstanding financial statements.

The Trustor acknowledges that the City can give no assurances regarding such investigations or when such investigations will be completed. As well, the City can give no assurance that other investigations will not be initiated against the City in the future.

* * *

EXHIBIT C
FORM OF NOTE

R-1

Up to \$130,000,000.00

ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Bank of America, N.A., has an interest herein. Except to the limited extent set forth in the Note Purchase Agreement with respect to a transfer to a Qualified Purchaser in accordance with Section 7.13(c) thereof, the Notes are non-negotiable and non-transferable prior to maturity (whether by acceleration or otherwise) and Bank of America, N.A. does not have the right prior to maturity to sell or transfer the Notes, to create any participation interest in the Notes, to deposit the Notes into any affiliated investment companies or trusts or to otherwise directly or indirectly transfer or assign any interest in the Notes prior to the maturity date of the Notes.

CITY OF SAN DIEGO, CALIFORNIA
2007-08 Tax and Revenue Anticipation Note

INTEREST RATE	DATED DATE	MATURITY DATE
_____ %	July 2, 2007	August 1, 2008

FOR VALUE RECEIVED, the City of San Diego, California, acknowledges itself indebted to and promises to pay to Bank of America, N.A., "Registered Owner" at the office of the City Treasurer, the principal sum of _____ Million and No/100 Dollars (\$_____) in lawful money of the United States of America, on August 1, 2008, together with interest on the principal amount outstanding hereunder from time to time at the rate per annum set forth above **[(subject to adjustment in the event of a Rating Action to the extent described in the Note Purchase Agreement)] [delete or include, as applicable]**, computed on the basis set forth in the Note Purchase Agreement, in like lawful money from the date hereof until payment in full of said principal sum. Interest hereon shall be payable to the registered owner hereof at the address shown on the registration books of the City Treasurer on June 27, 2008, August 1, 2008, and at such other times as may be required under the Note Purchase Agreement. The principal of and interest at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes entitled "City of San Diego, California 2007-08 Tax and Revenue Anticipation Note" (the "Notes"), in the aggregate principal amount of not to exceed _____ Million and No/100 Dollars (\$_____), to be issued in a single series by authority of Section 92 of the City Charter of the City and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of the State of California and Resolution No. R-_____ adopted by the City Council on _____, 2007 (together with the Accompanying Document and the Note Purchase Agreement appended thereto, the "Resolution"), and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed

in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City does not exceed any limit prescribed by the Constitution or laws of the State of California or said City Charter. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

The Principal Log attached as Exhibit A hereto shall evidence the principal amount of the Note Outstanding and the redemption or payment of principal of the Note from time to time.

The Notes are subject to prepayment at the times and upon the terms set forth in the Note Purchase Agreement.

As security for the payment of the principal of and interest on the Notes, the City agrees and covenants in the Resolution to deposit in trust into a special fund to be held by the City, designated as the "2007-08 Tax and Revenue Anticipation Notes Set Aside Account" (the "Set Aside Account"), sufficient moneys to enable the City to pay in full such principal and interest at the times and in the manner set forth in the Resolution. Pursuant to the Resolution, the City has pledged Available Revenues and Available Property Taxes to the payment of the principal of and interest on the Notes, and the Available Revenues, Available Property Taxes, the Set Aside Account, and all amounts held therein are pledged to the payment of the Notes to the extent provided therein. Amounts deposited in the Set Aside Account may not be used for any purpose other than payment of the Notes and may be invested in legal investments which are permitted by the California Government Code and which mature not later than the latest maturity date of the Notes; provided that the earnings on any such investment shall, so long as no Event of Default is continuing under the Note Purchase Agreement, be transferred by the City to the City's General Fund.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the City Treasurer.

IN WITNESS WHEREOF, the City of San Diego has caused this Note to be executed by the manual or facsimile signature of its City Treasurer and countersigned by the manual or facsimile signature of the City Clerk and caused a facsimile of the official seal to be imprinted hereon, all as of the 2nd day of July, 2007.

CITY OF SAN DIEGO

By: _____
Its: City Treasurer

(SEAL)

Countersigned:

By: _____
Its: City Clerk

LEGAL OPINION

The attached is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, in connection with the issuance of, and dated as of the date of the original delivery of, the Notes. A signed copy is on file in my office.

City Clerk of the City of San Diego

EXHIBIT A

PRINCIPAL LOG

<u>Purchase Amount</u>	<u>Purchase Date</u>	<u>Redemption or Payment Amount</u>	<u>Redemption Date</u>	<u>Outstanding Principal</u>	<u>Bank Initials</u>
\$ _____	July 2, 2007			\$ _____	

EXHIBIT D

NOT TO EXCEED

\$130,000,000

CITY OF SAN DIEGO, CALIFORNIA

2007-08 TAX AND REVENUE ANTICIPATION NOTE

CERTIFICATE OF THE CITY CLERK

The undersigned hereby certifies that:

(i) I am the duly qualified and authorized City Clerk of the City of San Diego (the "City");

(ii) attached hereto as Exhibit A is a true and correct copy of Resolution No. R-_____ of the City Council of the City, adopted on _____, 2007 and approved by the Mayor on June __, 2007, and the Accompanying Document Nos. RR-_____ to Resolution No. R-_____ (collectively, the "Resolution"); and

(iii) the Resolution was duly adopted at a properly noticed meeting of the City Council during which a quorum was acting throughout and was duly approved by the Mayor, and has not been modified, amended, rescinded or revoked and is in full force and effect on and as of the date hereof.

Dated: July 2, 2007

CITY OF SAN DIEGO

By _____

Elizabeth Maland

Its: City Clerk

The City of San Diego
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER

CERTIFICATE OF UNALLOTTED BALANCE

ORIGINATING

AC 2700752
 DEPT. NO.: 056

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: _____ Fund: _____

Purpose: _____

Date: _____ By: _____

ACCOUNTING DATA											
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT	
TOTAL AMOUNT											

FUND OVERRIDE

CERTIFICATION OF UNENCUMBERED BALANCE

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: \$30,000.00

Vendor: Stradling Yocca Carlson & Rauth

Purpose: Authorizing the expenditure of funds for bond counsel services for the FY2008 TRAN in a fixed amount, including out of pocket expenses.

Date: May 15, 2007 By: *Mayer*

ACCOUNTING DATA											
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT	
		65013	65013	2000	4151	65013					30,000.00
TOTAL											\$30,000.00

AC-361 (REV 2-92)

FUND OVERRIDE

R- 302672

JUN 04 2007

AC 2700752

The City of San Diego
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER

CERTIFICATE OF UNALLOTTED BALANCE
ORIGINATING

AC 2700753
 DEPT. NO.: 056

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: _____ Fund: _____

Purpose: _____

Date: _____ By: _____

ACCOUNTING DATA											
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT	
TOTAL AMOUNT											

FUND OVERRIDE

CERTIFICATION OF UNENCUMBERED BALANCE

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: \$45,000.00

Vendor: Montague DeRose and Associates, LLC

Purpose: Authorizing the expenditure of funds for financial advisory services for the FY2008 TRAN, plus reasonable out of pocket expenses.

Date: May 15, 2007 By: 

ACCOUNTING DATA											
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT	
		65013	65013	2000	4151	65013					45,000.00
TOTAL											\$45,000.00

FUND OVERRIDE

R. 302672

JUN 04 2007