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2003 SUPPLEMENT DATED AS OF [•], 2003  
TO MASTER INSTALLMENT PURCHASE AGREEMENT  
DATED AS OF SEPTEMBER 1, 1993

between

THE CITY OF SAN DIEGO

and

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

Relating to  
Public Facilities Financing Authority of the City of San Diego  
Subordinated Sewer Revenue Bonds, Series 2003A and 2003B  
(Payable Solely From Subordinated Installment Payments Secured by  
Wastewater System Net Revenues)

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## 2003 SUPPLEMENT

This 2003 SUPPLEMENT dated as of [•], 2003 (this “2003 Supplement”), is by and between the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers entity (the “Authority”), and the City of San Diego, a municipal corporation duly organized and existing under the Charter and the Constitution of the State (the “City”), supplementing the Master Installment Purchase Agreement dated as of September 1, 1993 by and between the City and the Authority (the Master Installment Purchase Agreement, as previously supplemented and amended by a 1993-1 Supplement dated as September 1, 1993 (the “1993 Supplement), a 1995-1 Supplement dated as of December 1, 1995 (the “1995 Supplement”), a 1997-1 Supplement dated as of February 1, 1997 (the “1997 Supplement”), a 1998-1 Supplement dated as of September 1, 1998 (the “1998 Supplement”), a 1999-1 dated as of March 1, 1999 (the “1999 Supplement”), and a First Amendatory Supplement dated as of [•], 2003, each by and between the City and the Authority (collectively, the “Agreement”).

### WITNESSETH:

**WHEREAS,** pursuant to the Agreement, the Authority has agreed to sell the Project (as defined in the Agreement) to the City and the City has agreed from time to time to purchase Components of the Project as are specified in Supplements thereto; and

**WHEREAS,** the City previously acquired certain Components of the Project from the Authority pursuant to the 1993 Supplement, the 1995 Supplement, the 1997 Supplement and the 1999 Supplement (collectively the “Parity Supplements”), each of which is a supplement to the Agreement; and

**WHEREAS,** pursuant to the Parity Supplements, the City agreed to make Installment Payments (the “Parity Installment Payments”); and

**WHEREAS,** the Authority issued bonds secured by the Parity Installment Payments (as more fully defined herein, the “Outstanding Parity Bonds”); and

**WHEREAS,** the City has determined that it is in its best interests and the best interests of its residents (1) to prepay a portion of the City’s obligations to make Parity Installment Payments pursuant to the Parity Supplements, and for the Authority to refund a portion the Outstanding Parity Bonds with the proceeds of such prepayment (the “Refunding”); and (2) to finance additional Components of the Project, identified in this 2003 Supplement, and, in each case, to pay therefor with 2003 Subordinated Installment Payments pursuant to this 2003 Supplement, all in the manner described herein, and the Authority is willing to assist the City to effect such Refunding and financing; and

**WHEREAS,** the 2003 Subordinated Installment Payments are to be Subordinated Obligations under the Agreement;

NOW, THEREFORE, the parties hereto have agreed as follows:

## ARTICLE 1

### DEFINITIONS

#### Section 1.1 Definitions

Capitalized terms used in this 2003 Supplement but not defined herein have the meanings given those terms in the Agreement and, if any such terms are not defined in the Agreement, then such terms have the meanings given those terms in the Subordinated Indenture (as defined herein). As used in this 2003 Supplement, the following terms have the following meanings:

#### **Agreement**

The term “Agreement” means that certain Master Installment Purchase Agreement between the City and the Authority dated as of September 1, 1993, as originally executed, and as amended and supplemented to date, and as it may be amended and supplemented from time to time in accordance with the terms thereof.

#### **Continuing Disclosure Certificate**

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City, dated [●], 2003, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

#### **Escrow Agreements**

The term “Escrow Agreements” means those certain Escrow Agreements dated as of [●], 2003, by and among the Authority, the City and the Parity Trustee providing for defeasance of a portion of the Outstanding Parity Bonds, as originally executed and as they may be amended and supplemented from time to time in accordance with the terms thereof.

#### **Interest Portion**

The term “Interest Portion” means the interest portion of Subordinated Installment Payments specified in Sections 4.1 and 4.2 hereof.

#### **Metropolitan Refunding Purchase Price**

“Metropolitan Refunding Purchase Price” has the meaning given that term in Section 3.1 hereof.

#### **Municipal Refunding Purchase Price**

“Municipal Refunding Purchase Price” has the meaning given that term in Section 3.1 hereof.

### **Outstanding Parity Bonds**

The term “Outstanding Parity Bonds” means, collectively, (a) the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1993 (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues), (b) the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1995 (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues), (c) the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1997A and 1997B (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues), and (d) the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1999A and 1999B (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues).

### **Parity Installment Payments**

“Parity Installment Payments” means the Installment Payments to be made by the City under and pursuant to the Parity Supplements.

### **Parity Supplements**

“Parity Supplements” means the 1993-1 Supplement dated as of September 1, 1993, the 1995-1 Supplement dated as of December 1, 1995, the 1997-1 Supplement dated as of February 1, 1997 and the 1999-1 Supplement dated as of March 1, 1999, each being a supplement of the Agreement.

### **Parity Trustee**

“Parity Trustee” means Wells Fargo Bank, National Association, in its capacity as successor trustee of the Outstanding Parity Bonds.

### **Participating Underwriter**

The term “Participating Underwriter” has the meaning set forth in the Continuing Disclosure Certificate.

### **Prepaid Payments**

The term “Prepaid Payments” means those Parity Installment Payments that are listed on Exhibit A.

### **Principal Portion**

The term “Principal Portion” means the principal portion of 2003 Subordinated Installment Payments specified in Sections 4.1 and 4.2.

## **Refunding**

The term “Refunding” means the prepayment of a portion of the City’s obligations to make Parity Installment Payments and the corresponding refunding of a portion of the Outstanding Parity Bonds with the proceeds thereof.

## **Refunding Purchase Price**

The term “Refunding Purchase Price” has the meaning given that term in Section 3.1.

## **Subordinated Indenture**

The term “Subordinated Indenture” means the Indenture (Subordinated Bonds), dated as of [•], 2003, by and between the Authority and Wells Fargo Bank, National Association, as trustee, relating to the issuance of the 2003 Subordinated Bonds and any Additional Subordinated Bonds issued thereunder, as originally executed and as it may be amended and supplemented from time to time in accordance with its terms.

## **2003 Components**

The term “2003 Components” means, collectively, the 2003A Components and the 2003B Components.

## **2003 Subordinated Bonds**

The term “2003 Subordinated Bonds” means the Public Facilities Financing Authority of the City of San Diego Subordinated Sewer Revenue Bonds, Series 2003A and Series 2003B (Payable Solely from Subordinated Installment Payments Secured by Wastewater System Net Revenues).

## **2003 Subordinated Installment Payments**

The term “2003 Subordinated Installment Payments” means, collectively, the 2003A Subordinated Installment Payments and the 2003B Subordinated Installment Payments.

## **2003 Supplement**

The term “2003 Supplement” means this 2003 Supplement dated as of [•], 2003 by and between the City and the Authority, supplementing the Agreement.

## **2003A Components**

The term “2003A Components” means the components of the Project specified in Exhibit B attached hereto and by this reference made a part hereof, for which the City will be making 2003A Subordinated Installment Payments as hereinafter specified.

### **2003A Subordinated Installment Payments**

The term “2003A Subordinated Installment Payments” means the Installment Payments specified in Section 4.1 hereof which are to pay the Purchase Price of the 2003A Components and the Metropolitan Refunding Purchase Price.

### **2003B Components**

The term “2003B Components” means the components of the Project specified in Exhibit C attached hereto and by this reference made a part hereof, for which the City will be making 2003B Subordinated Installment Payments as hereinafter specified.

### **2003B Subordinated Installment Payments**

The term “2003B Subordinated Installment Payments” means the Installment Payments specified in Section 4.2 hereof which are to pay the Purchase Price of the 2003B Components and the Municipal Refunding Purchase Price.

## **ARTICLE 2**

### **REPRESENTATIONS AND WARRANTIES**

#### **Section 2.1 [City Representations and Warranties](#)**

The City hereby represents and warrants to the Authority that each of the following is true and correct:

(a)The City is a municipal corporation organized and existing under the Charter, which was duly adopted pursuant to the provisions of the Constitution of the State of California.

(b)The City has full legal right, power and authority to enter into this 2003 Supplement and perform its obligations hereunder, to carry out and consummate all transactions contemplated by this 2003 Supplement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c)By proper action, the City has duly authorized the execution, delivery and performance of this 2003 Supplement.

(d)The execution and delivery of this 2003 Supplement and the consummation of the transactions herein contemplated will not (i) violate any provision of law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e)The City has determined that it is necessary and proper for City uses and purposes within the terms of the Law that the City refund the Prepaid Payments and acquire the 2003 Components in the manner provided for in this 2003 Supplement, in order to continue to provide essential services and facilities to the persons residing in the City.

(f)The interest components of 2003 Subordinated Installment Payments will not be includable in the gross income of the owners of 2003 Subordinated Bonds for federal income tax purposes.

## **Section 2.2** [Authority Representations and Warranties](#)

The Authority hereby represents and warrants to the City that each of the following is true and correct:

(a)The Authority is a joint exercise of powers entity formed under the laws of the State of California.

(b)The Authority has full legal right, power and authority to enter into this 2003 Supplement and to carry out and consummate all transactions contemplated by this 2003 Supplement.

(c)By proper action, the Authority has duly authorized the execution, delivery and due performance of this 2003 Supplement.

(d)The execution and delivery of this 2003 Supplement and the consummation of the transactions herein contemplated will not (i) violate any provision of Law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(e)The interest components of 2003 Subordinated Installment Payments will not be includable in the gross income of the owners of 2003 Subordinated Bonds for federal income tax purposes.

## **ARTICLE 3**

### **REFUNDING PURCHASE PRICE; PREPAYMENT OF PREPAID PAYMENTS; SALE OF 2003 COMPONENTS**

#### **Section 3.1** [Authority's Obligation to pay Refunding Purchase Price](#)

(a) In consideration of the agreement by the City to make 2003A Subordinated Installment Payments, the Authority hereby agrees that it will pay to the City, from the proceeds of the issuance of the 2003A Subordinated Bonds, an amount equal to \$[●] (the “Metropolitan Refunding Purchase Price”).

(b) In consideration of the agreement by the City to make 2003B Subordinated Installment Payments, the Authority hereby agrees that it will pay to the City, from the proceeds of the issuance of the 2003B Subordinated Bonds, an amount equal to \$[●] (the “Municipal Refunding Purchase Price” and, collectively with the Metropolitan Purchase Price, the “Refunding Purchase Price”).

### **Section 3.2** [Prepayment of Prepaid Payments](#)

The City hereby directs the Authority, in lieu of delivering the Refunding Purchase Price to the City, to deliver the Refunding Purchase Price to the Parity Trustee to prepay the Prepaid Payments under and pursuant to the Parity Supplements. The Authority shall cause the Parity Trustee to deposit the Refunding Purchase Price pursuant to the Escrow Agreements to refund a portion of the Outstanding Parity Bonds in accordance with the terms of the Escrow Agreements. The Authority and the City hereby agree that, by virtue of the direction by the City to the Authority to deposit with the Parity Trustee the Refunding Purchase Price in accordance with the terms of the Escrow Agreements, the Prepaid Payments shall have been finally and fully prepaid pursuant to the Agreement and the Parity Supplements.

### **Section 3.3** [Sale and Purchase of 2003 Components](#)

(a) In consideration of the agreement by the City to make 2003A Subordinated Installment Payments, the Authority hereby sells, transfers and assigns the 2003A Components to the City and the City hereby agrees to purchase and accept the 2003A Components.

(b) In consideration of the agreement by the City to make 2003B Subordinated Installment Payments, the Authority hereby sells, transfers and assigns the 2003B Components to the City and the City hereby agrees to purchase and accept the 2003B Components.

## **ARTICLE 4**

### **2003 SUBORDINATED INSTALLMENT PAYMENTS**

#### **Section 4.1** [2003A Subordinated Installment Payments](#)

In consideration of the payment by the Authority of the Metropolitan Refunding Purchase Price and the sale of the 2003A Components by the Authority to the City pursuant to ARTICLE 3, the City hereby agrees to pay as 2003A Subordinated Installment Payments, solely from Net System Revenues as provided in the Agreement, the following:

Date	Principal Portion of 2003A Subordinated Installment Payments	Interest Portion of 2003A Subordinated Installment Payments	Total 2003A Subordinated Installment Payments
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**Section 4.2** [2003B Subordinated Installment Payments](#)

In consideration of the payment by the Authority of the Municipal Refunding Purchase Price and the sale of the 2003B Components by the Authority to the City pursuant to ARTICLE 3, the City hereby agrees to pay as 2003B Subordinated Installment Payments, solely from Net System Revenues as provided in the Agreement, the following:

Date	Principal Portion of 2003B Subordinated Installment Payments	Interest Portion of 2003B Subordinated Installment Payments	Total 2003B Subordinated Installment Payments
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**Section 4.3** [Subordinated Obligations](#)

The 2003 Subordinated Installment Payments shall be Subordinated Obligations under the Agreement and the payment of the 2003 Subordinated Installment Payments shall be subordinated in right of payment to Parity Obligations under the Agreement. No Owner of the 2003 Subordinated Installment Payments shall have any right to take any action or enforce any right that has a materially adverse effect on the interests of the Owners of the Installment Payment Obligations.

**ARTICLE 5**

**PREPAYMENT OF 2003 SUBORDINATED INSTALLMENT PAYMENTS**

**Section 5.1** [Prepayment of 2003A Subordinated Installment Payments](#)

The City shall have the following rights to prepay 2003A Subordinated Installment Payments:

The 2003A Subordinated Installment Payments payable from and after [●], are subject to prepayment, at the option of the City, upon at least 45 days prior written notice to the Authority specifying the date and amount of such prepayment, on or after [●], at the following prepayment prices (expressed as a percentage of the Principal Portion of 2003A Subordinated Installment Payments to be prepaid) plus the unpaid Interest Portion of 2003A Subordinated Installment Payments to the date fixed for prepayment:

Prepayment Period  
(dates inclusive)

Prepayment Price  
(Percentage of Principal Portion)

**Section 5.2** [Prepayment of 2003B Subordinated Installment Payments](#)

The City shall have the following rights to prepay 2003B Subordinated Installment Payments:

The 2003B Subordinated Installment Payments payable from and after [●], are subject to prepayment, at the option of the City, upon at least 45 days prior written notice to the Authority specifying the date and amount of such prepayment, on or after [●], at the following prepayment prices (expressed as a percentage of the Principal Portion of 2003B Subordinated Installment Payments to be prepaid) plus the unpaid Interest Portion of 2003B Subordinated Installment Payments to the date fixed for prepayment:

Prepayment Period  
(dates inclusive)

Prepayment Price  
(Percentage of Principal Portion)

**ARTICLE 6**

**ADDITIONAL COVENANTS**

In addition to the covenants specified in the Agreement, the following additional covenants are added with respect to the 2003 Subordinated Bonds:

**Section 6.1** [Additional Covenant relating to Tax Exemption](#)

(a)The City shall not directly or indirectly use or permit the use of any proceeds of the 2003 Subordinated Bonds or any other funds of the City or of the Project or take or omit to take any action that would cause the 2003 Subordinated Bonds to be “private activity bonds” within the meaning of Section 141 of the Code, or obligations that are “federally guaranteed” within the meaning of Section 149(b) of the Code.

(b)The City hereby covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest represented by the 2003 Subordinated Bonds under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of the 2003 Subordinated Bonds or any other funds of the City, or take or omit to take any action, that would cause the 2003 Subordinated Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code to the extent applicable to the 2003 Subordinated Bonds. If at any time the City is of the opinion that for purposes of this Section 6.1 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Subordinated Indenture or otherwise, then the City shall so instruct the Trustee in writing, and shall cause the Trustee to take such action as may be necessary in accordance with such instructions.

(c)Without limiting the generality of the foregoing, the City hereby agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the 2003 Subordinated Bonds from time to time. This covenant shall survive payment in full or defeasance of the 2003 Subordinated Bonds. The City hereby specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under this Section the Rebate Requirement, as described in the Tax Certificate, and to otherwise comply with the provisions of the Tax Certificate executed by the City in connection with the execution and delivery of the 2003 Subordinated Bonds.

(d)Notwithstanding any provision of this Section 6.1, if the City provides to the Trustee an opinion of nationally recognized Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2003 Subordinated Bonds pursuant to Section 103 of the Code, then the City may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

## **Section 6.2** [Continuing Disclosure](#)

The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this 2003 Supplement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default of any kind under this 2003 Supplement or the Agreement; provided, however, that any Participating Underwriter or the Owners of at least 25% in aggregate principal amount of 2003 Subordinated Bonds or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section 6.2. For purposes of this Section, “Beneficial Owner” means any person or entity that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2003 Subordinated Bonds (including persons holding 2003 Subordinated Bonds through nominees, depositories or other intermediaries).

### **Section 6.3** Issuance of Additional Subordinated Obligations

(a) In addition to satisfying the requirements of Section 5.03 of the Agreement with respect to the issuance of Subordinated Obligations thereunder, the City shall not issue, create or incur any Subordinated Obligations after the date hereof unless the City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that:

(i) the Net System Revenues as shown by the books of the City for any 12-consecutive month period out within the 18-consecutive months ending immediately prior to the incurring of such additional other Subordinated Obligations shall have amounted to at least 1.00 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed Subordinated Obligations; or

(ii) the estimated Net System Revenues for the five Fiscal Years following the earlier of (A) the end of the period during which interest on those Subordinated Obligations is to be capitalized or, if no interest is to be capitalized, the Fiscal Year in which the Subordinated Obligations are issued; or (B) the date on which substantially all new facilities financed with such Subordinated Obligations are expected to commence operations, will be at least equal to 1.00 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed Subordinated Obligations.

(b) For purposes of preparing the certificate or certificates described in clause (i) of subsection (a) above, the Consultant or Consultants may rely upon financial statements prepared by the City, which have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available.

(c) For purposes of the computations to be made as described in clause (ii) of subsection (a) above, the determination of Net System Revenues:

(i) may take into account any increases in rates and charges which relate to the Wastewater System and which have been approved by the City Council, and shall take into account any reduction in such rates and charges which have been approved by the City Council, which will, for purposes of the test described in clause (ii) of subsection (a) above, be effective during a Fiscal Year ending within the five-year period for which such estimate is made; and

(ii) may take into account an allowance for any estimated increase in such Net System Revenues from any revenue producing additions or improvements to or extensions of the Wastewater System, to be made with the proceeds of such additional indebtedness or with the proceeds of Obligations previously issued, all in an amount equal to the estimated additional average annual Net System Revenues to be derived from such additions, improvements and extensions during the five-year period contemplated by clause (ii) of subsection (a) above, all as shown by such certificate of the City or a Consultant, as applicable; and

(iii)for the period contemplated by clause (ii) of subsection (a) above Maintenance and Operation Costs of the Wastewater System shall initially be deemed to be equal to such costs for the 12 consecutive months immediately prior to incurring such other Subordinated Obligations for the first year of the five-year period, but adjusted if deemed necessary by the City or a Consultant, as applicable, for any increased Maintenance and Operations Costs of the Wastewater System which are, in the judgment of the City or a Consultant, as applicable, essential to maintaining and operating the Wastewater System and which will occur during any Fiscal Year ending within the period contemplated by clause (ii) of subsection (a).

(d)The certificate or certificates described above in subsection (a) above shall not be required (i) with respect to the issuance of the 2003 Subordinated Installment Payments, or (ii) if the Subordinated Obligations being issued are for the purpose of refunding (A) then-Outstanding Parity Obligations or Subordinated Obligations if at the time of the issuance of such Subordinated Obligations a certificate of an Authorized City Representative shall be delivered showing that the sum of Debt Service for all remaining Fiscal Years on all Parity Obligations and Subordinated Obligations Outstanding after the issuance of the refunding Subordinated Obligations will not exceed the sum of Debt Service for all remaining Fiscal Years on all Parity Obligations and Subordinated Obligations Outstanding prior to the issuance of such refunding Subordinated Obligations; or (B) then-Outstanding Balloon Indebtedness, Tender Indebtedness or Variable Rate Indebtedness, but only to the extent that the principal amount of such indebtedness has been put, tendered to or otherwise purchased by a standby purchase or other liquidity facility relating to such indebtedness.

(e)Solely for purposes of this Section 6.3 of this 2003 Supplement, the terms “Maximum Annual Debt Service,” “Tender Indebtedness” and “Variable Rate Indebtedness,” as used in this Section 6.3 of this 2003 Supplement and in the terms “Maximum Annual Debt Service” and “Debt Service” contained in the Agreement, shall have the meanings given those terms in the Agreement, except that each occurrence of the term “Parity Obligations” in those terms shall be substituted with the term “Obligations.” Solely for purposes of this Section 6.3 of this 2003 Supplement, the term “Debt Service,” as used in this Section 6.3 of this 2003 Supplement, shall have the meaning given that term in the Agreement, except that each occurrence of the term “Parity Obligations” be substituted with the term “Obligations,” each occurrence of the term “Serial Parity Obligations” shall be substituted with the term “Serial Obligations” and each occurrence of the term “Term Parity Obligations” shall be substituted with the term “Term Obligations.” Solely for purposes of this Section 6.3 of this 2003 Supplement, the term “Paired Obligations,” as used in the terms “Maximum Annual Debt Service” and “Variable Rate Indebtedness” contained in the Agreement, shall mean any Series (or portion thereof) of Obligations which are simultaneously issued or incurred (i) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the City for the terms of such Obligations. Solely for purposes of this Section 6.3 of this 2003 Supplement, the term “Qualified Swap Agreement,” as such term is used in the terms “Maximum Annual Debt Service” and “Debt Service” contained in the Agreement, shall mean a contract or agreement, payable from Net System Revenues, intended to place Obligations on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

#### **Section 6.4** Notices to 2003 Subordinated Bond Insurer

(a)While the 2003 Municipal Bond Insurance Policy is in effect, the City shall furnish to the 2003 Subordinated Bond Insurer.

(i)as soon as practicable after the filing thereof, a copy of any financial statement of the Wastewater System or the Sewer Revenue Fund of the City and a copy of any audit and annual report of the Wastewater System or the Sewer Revenue Fund of the City; and

(ii)such additional information as it may reasonably request.

(b)The City shall permit the 2003 Subordinated Bond Insurer to discuss the affairs, finances and accounts of the Wastewater System and the Sewer Revenue Fund of the City or any information the 2003 Subordinated Bond Insurer may reasonably request regarding the security for the 2003 Subordinated Bonds with appropriate officers of the City. The City shall permit the 2003 Subordinated Bond Insurer to have reasonable access to the Wastewater System and have access to and make copies of all books and records relating to the 2003 Subordinated Bonds at any reasonable time.

(c)Upon the occurrence and continuance of an Event of Default under the Subordinated Indenture, the 2003 Subordinated Bond Insurer shall have the right to direct an accounting of the books and records of the Wastewater System and the Sewer Revenue Fund of the City.

**Section 6.5**    2003 Subordinated Bond Insurer Deemed Owner

For so long as the 2003 Subordinated Bond Insurer is not in default in the performance of its obligations under the 2003 Municipal Insurance Policy, the 2003 Subordinated Bond Insurer shall be deemed to be the sole Owner of the Installment Payment Obligations consisting of the 2003 Subordinate Installment Payments for all purposes of the Agreement, including, but not limited to Section 10.03 of the Agreement.

**Section 6.6**    Intended Third-Party Beneficiary

The 2003 Subordinated Bond Insurer shall be an intended third-party beneficiary of the provisions of Sections 6.4 and 6.5 hereof.

IN WITNESS WHEREOF, this 2003 Supplement has been executed by the City and the Authority as of the year and date first above written.

**CITY OF SAN DIEGO**

By: \_\_\_\_\_  
Deputy City Manager

Attest:

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

**PUBLIC FACILITIES FINANCING  
AUTHORITY OF THE CITY OF SAN DIEGO**

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

Attest:

\_\_\_\_\_  
Secretary

APPROVED AS TO FORM:  
CASEY GWINN  
City Attorney of the City of San Diego

By: \_\_\_\_\_  
Deputy City Attorney

**EXHIBIT A**  
**Prepaid Payments**

**EXHIBIT B**

**Description of 2003A Components of Project**

**EXHIBIT C**

**Description of 2003B Components of Project**