

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
FINANCE DEPARTMENT**

TIME CERTAIN
ITEM NO. 4
1:30PM

TO: Mayor and City Council

FROM: Milo Nitschke, Director, Finance Department

THROUGH: Terry M. Brechtel, City Manager

COPIES: Melissa Byrne Vossmer, Assistant City Manager; City Attorney's Office; City Clerk; File

SUBJECT: Authorizing the Issuance, Sale and Delivery of Approximately \$73,650,000 City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2002 and Approximately \$107,350,000 City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2002

DATE: November 21, 2002

SUMMARY AND RECOMMENDATIONS

- A. This Ordinance authorizes and approves the issuance of approximately \$73,650,000 "City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2002"; provides for the payment of the certificates by a levy of an ad valorem tax upon all taxable property within the City and further secures the certificates by a lien on and pledge of the pledged revenues; provides the terms and conditions of the certificates and resolves other matters incident and relating to the issuance, payment, security, sale, and delivery of the certificates, including the approval and distribution of an official statement; authorizes the execution of a paying agent/registrar agreement and a purchase contract; complies with the provisions of the Depository Trust Company's letter of representations previously executed; and provides for an effective date upon passage by eight affirmative votes.
- B. This Ordinance authorizes and approves the issuance of approximately \$107,350,000 "City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2002"; levies a continuing direct annual ad valorem tax for the payment of the bonds; prescribes the form, terms, conditions, and resolves other matters incident and related to the issuance, sale and delivery of the bonds, including the approval and distribution of an official statement pertaining thereto; authorizes the execution of a paying agent/registrar agreement, escrow agreement and a purchase contract; complies with the requirements imposed by the letter of representations previously executed with the Depository Trust Company; and provides for an effective date upon passage by eight affirmative votes.

Staff recommends approval of these Ordinances.

BACKGROUND INFORMATION

On October 24, 2002, City Council approved the form, content and distribution of a Preliminary Official Statement pertaining to the issuance, sale and delivery of approximately \$107,350,000 "City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2002" (the "2002 Bonds"); and approximately \$73,650,000 "City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2002" (the "2002 Certificates").

The 2002 Bonds are being issued to provide funds: (1) to refund approximately \$74,470,000 in outstanding general obligation bonds and certificates of obligation; (2) to finance the construction of general improvements to the City, including (a) streets and pedestrian improvements; (b) drainage improvements; (c) parks and recreation facilities improvements; (d) library system improvements; and (e) public safety improvements; and (3) to pay the costs of issuance. The sale of the 2002 Bonds represents the final installment of the 1999 Authorized Bond Program and the allocation of funds is detailed below.

Streets and Pedestrian Way Improvements	\$ 4,710,000
Drainage	4,835,000
Parks and Recreation	6,036,000
Library System Improvements	6,774,000
Public Safety	<u>10,255,000</u>
	\$ 32,610,000
Refunding Bonds	<u>74,740,000</u>
Total 2002 Bonds	<u>\$ 107,350,000</u>

Our original analysis showed that refunding approximately \$74,470,000 in outstanding general obligation bonds and certificates of obligation generated \$4,510,776 in gross savings and \$2,602,053 or 3.49% in present value savings. However, recent unfavorable market changes have adversely affected the size of the refunding component which will adversely affect the interest cost savings generated from this transaction. If market conditions produce minimal savings, the refunding component of this sale will be postponed until more optimum savings can be realized. The Co-Financial Advisors, Underwriters, and City Staff will monitor the market and will work to maximize the interest cost savings related to this refunding. The final results of the pricing and sale will be detailed in a memorandum which will be provided on Thursday, November 21, 2002.

The 2002 Certificates will be used for the purpose of providing funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing public safety improvements, including constructing new fire stations and renovating and improving existing fire stations and police facilities; (2) constructing street improvements, sidewalk improvements, bridge improvements, drainage improvements, and drainage incidental thereto; (3) constructing improvements and renovations to existing municipal facilities; (4) acquiring, constructing, renovating, and improving the City's library system; (5) constructing public improvements relating to KellyUSA and Brooks-City Base, including street improvements and drainage improvements and utility relocation related

thereto; (6) constructing park improvements; (7) purchasing materials, supplies, machinery, land, and rights-of-way for authorized needs and purposes relating to public safety, drainage, street and public works purposes; (8) paying the costs associated with the implementation of a new Enterprise Resource Management System, including development and installation costs relating thereto; and (9) the payment of professional services related to the construction and financing of the aforementioned projects.

The allocation of funds is detailed below:

Municipal Facilities	\$ 3,135,000
Economic Development	3,250,000
Enterprise Resource Management System	41,100,000
Fire	7,230,000
Library	1,315,000
Parks and Recreation	2,845,000
Police	585,000
Metropolitan Planning Organization	3,425,000
Streets	7,260,000
Drainage	<u>3,505,000</u>
Total 2001 Certificates	<u>\$ 73,650,000</u>

In connection with the issuance and sale of the bonds and certificates, presentations were made to the rating agencies on November 4 and 5, 2002. The obligations were rated "AA+", "Aa2", and "AA+" by Fitch, Moody's Investors Services, Inc., and Standard and Poor's Ratings Group respectively.

The final results of the pricing and sale will be detailed in a memorandum which will be provided on Thursday, November 21, 2002.

On October 24, 2002, City Council also approved the form, content and distribution of a Preliminary Official Statement pertaining to the issuance, sale and delivery of approximately \$24,265,000 "City of San Antonio, Texas General Improvement Forward Refunding Bonds, Series 2003" (the "2003 Forward Refunding Bonds"). The 2002 Forward Refunding Bonds were being issued to refund \$25,390,000 Series 1993 General Improvement Refunding Bonds. Under the 1986 Tax Act, as amended, the City cannot refund a portion of the Series 1993 General Improvement Refunding Bonds with refunding bond proceeds prior to 90 days before the first call date which is August 1, 2003. The City routinely evaluates the possibility of executing a forward refunding transaction to achieve interest cost savings. A forward delivery transaction enables the City to sell the bonds in November, 2002 to lock in the current low interest rates, but the delivery of the money does not occur until May, 2003. The cost of a forward delivery is approximately 25 basis points above current interest rates.

Our original analysis showed that refunding approximately \$25,390,000 of the Series 1993 General Improvement Refunding Bonds and Certificates of Obligation generated \$1,061,786 in gross savings and \$941,973 or 3.71% in present value savings. However, recent unfavorable market changes have adversely affected the potential savings to be realized from completing this transaction, and as such, after thorough analysis it was decided by the Co-Financial Advisors,

Underwriters, and City Staff that this transaction should be postponed and subsequently effectuated if market improvements result in beneficial interest cost savings.

POLICY ANALYSIS

The aforementioned transactions are consistent with approved capital projects, the 2002 Adopted Capital Budget and the Debt Management Plan.

FISCAL IMPACT

Any costs pertaining to the proposed bond transactions will be paid from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

SUPPLEMENTAL COMMENTS

The disclosures required by the City's Ethics Ordinance for each of the underwriting firms are attached.

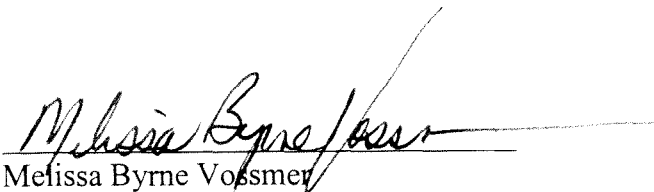
COORDINATION

This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Economic Development, Fire, Parks and Recreation, Police, Public Works, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.



Milo D. Nitschke
Director, Finance Department

Approved:



Melissa Byrne Vossmer
Assistant City Manager



Terry M. Brechtel
City Manager

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

** This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.*

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

None

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

None

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.


Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: Chairman Company: Siebert Brandford Shank & Co., LLC	Date: September 4, 2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

☒ NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
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(1) the identity of any individual who would be a party to the discretionary contract;

None

(2) the identity of any **business entity**² that would be a party to the discretionary contract:

None

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

² A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

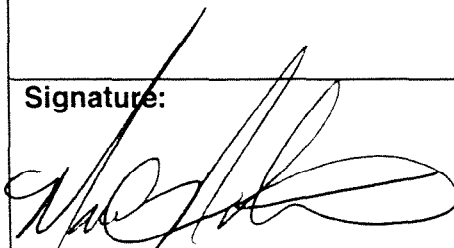
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To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question³ as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Company:	Date: 9/4/02

³ For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

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City Attorney's Office

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Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

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None.

(2) the identity of any business entity that would be a party to the discretionary contract
and the name of

(A) any individual or business entity that would be a subcontractor on the discretionary contract;

None.

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity; or any individual or business entity who would be a party to the discretionary contract;

First Southwest Company is owned by First Southwest Holdings, Inc.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None.

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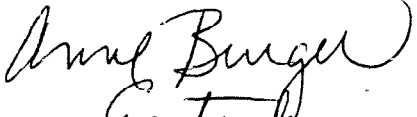
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Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Senior Vice President Company: First Southwest Company	Date: 9/6/02

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

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City Attorney's Office

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Circle One

YES

NO

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Circle One

YES

NO

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YES

NO

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(1) the identity of any individual who would be a party to the discretionary contract;

NONE.

(2) the identity of any business entity¹ that would be a party to the discretionary contract:
J.P. Morgan Securities Inc. and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

NONE.

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

J.P. Morgan Chase & Co.
CSI Portfolio Holdings
Hambrecht & Quist California
Lewco Securities Inc.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

NONE.

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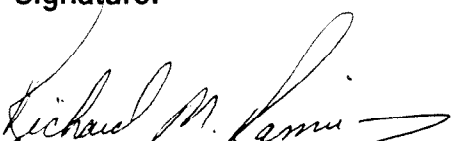
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To Whom Made: NONE.	Amount:	Date of Contribution:
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Signature: 	Title: Richard M. Ramirez Company: J.P. Morgan Securities Inc.	Date: 9/6/2002

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CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

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Circle One

YES

NO

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Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

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CITY OF SAN ANTONIO

Discretionary Contracts Disclosure*

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None

(2) the identity of any business entity² that would be a party to the discretionary contract:

and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract;

None

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

⁽²⁾ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Political Contributions

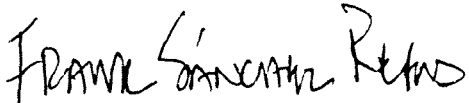
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made: None	Amount: None	Date of Contribution: N/ A
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Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question ⁽³⁾ as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None

Signature: 	Title: Company: Sr. Vice President	Date: September 6, 2002
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Circle One

YES



2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES



3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES



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Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

N/A

(2) the identity of any business entity² that would be a party to the discretionary contract:

N/A

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

N/A

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

N/A

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

N/A

² A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

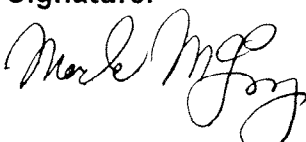
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
NA		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question³ as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: SR. V.P. Company: SWS Securities	Date: 9/5/02

³ For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO

City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

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Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

- (1) the identity of any individual who would be a party to the discretionary contract;

N/A

- (2) the identity of any **business entity**¹ that would be a party to the discretionary contract:
A.G Edwards & Sons, Inc. and the name of:

- (A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

A.G. Edwards has no subcontracting relationships with respect to the proposed contract with the exception of ordinary relationships involving other registered securities firms which may act or seek to act, from time to time, as underwriter or financial advisor to the State, which relationships are always known to the issuer on a transaction-by-transaction basis.

- (B) any individual or business entity that is known to be a *partner, or a parent or subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

A.G. Edwards & Sons, Inc. is a wholly owned subsidiary of A.G. Edwards, Inc.

- (3) the identity of any *lobbyist or public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

N/A

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

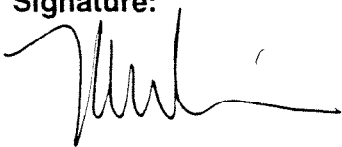
To Whom Made:	Amount:	Date of Contribution:
<p>A.G. Edwards has implemented firmwide policies and procedures to ensure compliance with Rule G-37 of the Municipal Securities Rulemaking Board, as well as other applicable laws and rules governing political contributions. These procedures include, in part, the requirement that certain restricted employees obtain approval before making political contributions to any state or local candidate or official. In addition, such restricted employees must sign quarterly certifications which identify specific contributions that were given during the reporting quarter.</p> <p>Based on the information available to the firm which was obtained through the procedures described above, to the best of our knowledge and belief, no direct or indirect political contributions have been made by the firm's restricted employees to any member of the City Council. It should be noted that the employees who are subject to the policy include, among others, all registered financial consultants, as well as employees of the Firm's Public Finance department and persons whose activities relate to the firm's municipal securities business. However, the policy does not apply to all persons who may be officers of the firm, nor to all of the firm's owners (A.G. Edwards is a publicly traded company and it is neither practicable nor possible to require public shareholders - who are "owners" of the firm - to comply with the firm's internal procedures). To the best of our knowledge and belief, A.G. Edwards has not engaged</p>		

the services of any lobbyist with respect to the Firm's business in Texas; and none of the Firm's employees are registered as lobbyists with the State of Texas.		
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Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

To the best of our knowledge and belief, we are aware of no relationship which would result in any improper economic benefit as described in Section 1 of Part B of the San Antonio Ethics Code in connection with the activity contemplated by this proposal. As a major securities firm with over 17,000 employees and over 670 offices in 49 states, it is not feasible for A.G. Edwards to perform a firm-wide sweep that would enable us to make a categorical representation that there are no relationships in which there might be a potential conflict of interest involving the persons and entities involved with this proposed transaction. However, it should be noted that A.G. Edwards is currently engaged in, and has in the past engaged in, routine brokerage and other securities transactions with the City of San Antonio and related entities.

Signature: 	Title: Managing Director Company: A.G. Edwards & Sons, Inc.	Date: September 6, 2002
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO*

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

☒ YES**

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

☒ YES***

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

* To the best of our knowledge and belief, no A.G. Edwards employees assigned to the proposed financing have been indicted or convicted of a felony or misdemeanor greater than a Class C during the last five (5) years.

** From time to time during the past ten years, A.G. Edwards has been engaged in financings that, for various reasons during the normal course of business have been terminated. A.G. Edwards does not believe that any such terminations present concerns of any material nature to the City with respect to considering A.G. Edwards for the financing activity being proposed.

*** - Regarding Question 3 above: A.G. Edwards & Sons, Inc. is a major underwriter of Public Finance and Corporate securities. In addition, the Firm has an extensive full-service securities business with over 17,000 employees and over 680 offices in 49 states. During the normal course of business over the past three years, A.G. Edwards or its employees are or have been subject to informal inquiries, investigations, disciplinary actions and litigation (collectively referred to as "actions") involving a variety of federal and state governmental entities, regulatory bodies and clients. While some of these actions relate to or have related to the Firm's municipal securities business, management believes that neither any of the actions considered individually, nor all such actions considered together, have had or will have a material adverse affect on the financial condition or operations of the firm, including the ability of A.G. Edwards to fulfill any obligations under this proposal.

Should the City of San Antonio desire additional information, all material legal proceedings are required to be reported by the firm in its periodic corporate filings with the Securities and Exchange Commission, which filings are a matter of public record; and the National Association of Securities Dealers sponsors a public disclosure program by which members of the public may request information about arbitrations and enforcement actions affecting the firm.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

** This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.*

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

Robert G. Rodriguez, President & CEO

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Southwestern Capital Markets, Inc.

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None.

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None.

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

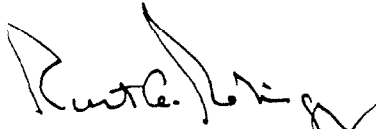
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None. MSRB Rule G-37 prohibits any dealer from engaging in municipal securities business with an issuer within 2 years any contribution to an official of such issuer.		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: President & CEO Company: Southwestern Capital Markets, Inc.	Date: September 4, 2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

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For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

N/A

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:
UBS PaineWebber Inc. and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

N/A

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

UBS Americas

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

As noted in our response to Question 9, Mr. Frank Madla is employed as a consultant by UBS PaineWebber Inc., although he is not specifically assigned to the City of San Antonio team.

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Political Contributions

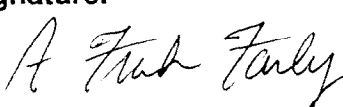
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:

To the best of our knowledge, we are not aware of any contributions that must be disclosed.

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None.		
Signature: 	Title: Managing Director Company: UBS PaineWebber Inc.	Date: 9/6/2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

☒ YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

Please see following page for the detail regarding our response to Question 3.

Question 3:

Like most securities firms, UBS PaineWebber Inc. is and has been a defendant in numerous legal actions relating to its securities and commodities business that allege various violations of federal and state securities laws. Prior to November 3, 2000, UBS PaineWebber Inc. was a wholly owned subsidiary of PaineWebber Group, Inc., a public company listed on the NYSE which regularly reports on Forms 10K and 10Q to the Securities and Exchange Commission ("SEC") and the NYSE regarding pending material litigation, including administrative proceedings. These reports are publicly available and include information about UBS PaineWebber matters.

Effective November 3, 2000, UBS PaineWebber Inc. became a wholly owned subsidiary of UBS AG. UBS AG, a Swiss banking corporation, is publicly owned, and its shares are listed on the Zurich, New York and Tokyo stock exchanges. UBS AG files annual reports on Form 20-F with the SEC, and also files quarterly reports and certain other material information with the SEC under cover of Form 6-K. These reports are publicly available. Starting with the Form 20-F for the year ended December 31, 2000, these reports include material information about UBS PaineWebber matters, including information about any material litigation or administrative proceedings. To the best of our knowledge, there are not any matters pending that are likely to adversely impact UBS PaineWebber's ability to provide the services that are contemplated by the Request for Proposal.

The following legal proceedings relating to the investment banking activities of PaineWebber's Municipal Securities Group and involving Federal, State or Local Government or private entity are pending or were closed within the past 10 years:

UBS PaineWebber Inc. was an underwriter of certain bonds issued by the City of Tehachapi, California whose purpose was to finance certain improvements to undeveloped property. The City of Tehachapi brought a foreclosure action against developer, Tiote Construction Development Company ("Tiote"), when it failed to pay its taxes on certain property covered by the bond issue. Tiote asserted cross-claims against UBS PaineWebber for negligent misrepresentation and fraud. On September 25, 1995, the Court granted UBS PaineWebber Inc.'s motion to dismiss the cross-claims of Tiote without leave to amend. Tiote appealed. On February 24, 1999, the appellate court found that Tiote's claims were properly dismissed, but also held that Tiote should have been given an opportunity to amend the cross-complaint to see if it could allege a valid cause of action. Since that time there have been several filings. On December 20, 2000, the Superior Court granted UBS PaineWebber's demurrer to Tiote's Fourth Amended Cross-Complaint, without leave to amend. Tiote filed another appeal on March 5, 2001.

In December 1996, Orange County, California filed an adversary proceeding against a number of Wall Street firms, including UBS PaineWebber Inc. and Paine Webber Real Estate Securities Inc. in the United States Bankruptcy Court in California asserting claims relating to the sale of certain securities to the County. The matter was settled as to UBS PaineWebber on August 4, 2000.

In a related matter, UBS PaineWebber Inc., along with other firms, had been a defendant in a putative class action filed on behalf of purchasers of bonds issued by Orange County and municipal authorities that invested monies in the Orange County Investment Pool. On May 17, 1996, UBS PaineWebber and certain other defendants entered into a Stipulation of Partial Settlement dismissing all claims as to the settling defendants, subject to approval by the California State court. In December 1996, the California State Court entered a final judgment dismissing the Orange County bondholder securities litigation against certain defendants, including UBS PaineWebber, having found the settlement reached by those parties to be fair.

The Clerk of Collier County (FL), purportedly acting on behalf of thousands of municipal issuers, filed a class action suit in 1998 against a number of firms who sold government securities at allegedly inflated prices in connection with advance refunding transactions. Without admitting any liability, the defendant firms, including UBS PaineWebber, settled this matter in May 2001 by agreeing to pay, as a group, a total of approximately \$4.5 million. By Final Judgment Order and Final Judgment dated September 26, 2001, the Court approved the settlement, finding the settlement "fair, just and reasonable as to the Settling Class."

Although not asserted against UBS PaineWebber, the following matter is identified in the interest of full disclosure. On June 6, 2000, UBS PaineWebber Inc. acquired JC Bradford & Co. On November 19, 1996, a case was filed in Los Angeles Superior Court by the Indenture Trustee (purporting to act on behalf of the bondholders) against Bradford and a host of others involved in a December 1992 offering of \$14 million for a project to acquire and renovate a downtown Los Angeles hotel. Bradford served as underwriter in the offering and sold \$10.15 million of the bonds to three Farmers Insurance entities. The project encountered problems and the last interest payments were made in July 1995. The case brought by the Indenture Trustee was dismissed. The three Farmers Insurance entities and a Committee of Bondholders as plaintiffs then filed an action against Bradford and others based primarily on four alleged misrepresentations in the Official Statement. Without admitting liability, Bradford settled this case in December 2001.

A qui tam claim against UBS PaineWebber and others was filed under the state's Whistleblower statute in 1999 under seal. That action was recently unsealed by the court after the State of Illinois declined to participate in the action. The claim alleges that the firm engaged in yield-burning in a 1992 refunding transaction with the State of Illinois. The complaint was served on the firm on April 25, 2002. On June 12, 2002, the United States District Court, Northern District of Illinois, issued a Memorandum and Order dismissing plaintiffs' claims for lack of subject matter jurisdiction.

On June 6, 2000, UBS PaineWebber Inc. acquired JC Bradford & Co. On January 4, 2001 a case was filed in the Thirteenth Judicial District Court of Sandoval County, New Mexico by the Board of County Commissioners of Sandoval County, New Mexico and the Sandoval County Treasurer against broker Royce Simpson and UBS PaineWebber Inc. as successor to J.C. Bradford and Co. The broker Simpson was served on January 17, 2001; but UBS PaineWebber Inc has not yet been served. The case alleges violations of Section 10(b) of the 1934 Act, of state securities law and unfair trade practices act, and common law negligent supervision and breach of fiduciary duty in connection with the sale of Treasury "strips" to the County by the broker resulting in unspecified damages. The case was removed to federal court (United States District Court for the District of New Mexico) on February 12, 2001. On September 24, 2001, the parties reached a settlement agreement by which UBS PaineWebber, while denying any and all liability, agreed to make payment to Sandoval County for full release of all claims.